

ANNUAL PERFORMANCE REPORT

MOLOPO

LOCAL MUNICIPALITY

2005/2006 Financial Year

Prepared by



MOLOPO
Local Municipality

JANUARY 2007

**GENERAL INFORMATION
AS AT 31 JANUARY 2006**

MEMBERS OF THE MUNICIPAL COUNCIL

- Cllr Mayor S Namusi
 - Cllr S.W Gaeboe
 - Cllr J Kgosiemang
 - Cllr M Theron
 - Cllr F.Louwrens
- Cllr M.A Mohibidu
Cllr C.Mocumi
Cllr. MT Shawa

GRADING OF LOCAL AUTHORITY

- Category B, Grade 1

EXECUTIVE STRUCTURE

- Mr. B. Rathebe - Municipal Manager
- Mr. David Thornhill -Chief Financial Officer (Bophirima District Municipality)
- Mr. J Liebenberg - Senior Admin Officer

AUDITORS

- Office of the Auditor-General

BANKERS

- ABSA

REGISTERED OFFICE

NO.1 Vergelee Road
Municipal Offices
TOSCA
8619

P.O. Box 101
TOSCA
8619

Telephone: (053) 933 0029/30
Fax: (053) 933 0035

APPROVAL OF THE ANNUAL PERFORMANCE REPORT



.....
**Cllr. SKM NAMUSI
MAYOR**



.....
**Mr. B.S. RATHEBE
MUNICIPAL MANAGER**

CONTENTS

GENERAL INFORMATION.....	i
CONTENTS.....	ii
CHAPTER 1.....	1
1. INTRODUCTION AND OVERVIEW	1
1.1. Introduction.....	1
1.2. Foreword by the Honourable Mayor	3
1.3. Overview of the municipality	4
1.3.1. Area	4
1.3.2. Population	5
1.3.3. Households	6
1.3.4. Water Services	6
1.3.5. Sanitation.....	6
1.3.6. Energy.....	7
1.3.7. Communication	7
1.3.8. Roads.....	7
1.3.9. Refuse removal	7
1.3.10. <i>Household Income</i>	8
1.3.11. Agriculture.....	8
1.3.12. Mining	8
1.3.13. Tourism	9
1.3.14. Land reform.....	9
1.3.15. Finance.....	9
1.3.16. Gross Geographic Value Added	9
1.4. Executive summary	10
1.4.1. Vision	10
1.4.2. Mission	10
1.4.3. Planned Strategic Outcomes.....	10
1.4.5. External and internal challenges faced by the municipality	11
1.4.6. Administrative Considerations	12
1.4.7. Effectiveness in municipal transformation.....	12
CHAPTER 2.....	14

2. PERFORMANCE HIGHLIGHTS	14
2.1. Municipal service delivery strategies	14
2.2. Projects that have impact in the lives of the communities	14
2.3. Strategies for communities and stakeholders participation in developing and implementation IDP	16
2.4. Services Provided	16
2.5. Backlogs in Service Delivery	17
2.6. Backlogs relating to Municipal Spending on Service Delivery Infrastructure	17
CHAPTER 3	20
3. HUMAN RESOURCE AND OTHER ORGANISATION MANAGEMENT	20
3.1. The organisational structure	20
3.1.1. Type and political structure	20
3.1.2. The Administrative Structure	20
3.2. Municipality's initiative with regard to employment issues	22
3.2.1. Employment Equity	22
3.2.2. Skills Development	22
3.3. Human Resource Management Policies	22
3.4. Performance	22
3.5.1. Political Structure	23
3.6. Staffing Information	24
3.7. Skills Levels	25
3.8. Pension Funds	25
3.9. Medical Aid Funds	25
3.10. Arrears	25
3.11. Staff Salary Disclosures	26
CHAPTER 4	27
4. FUNCTIONAL AREA SERVICE DELIVERY REPORTING	27
CHAPTER 5	38
5. AUDITED STATEMENTS AND RELATED FINANCIAL INFORMATION	38
The audited financial statements and the financial statements as at 30 June 2006 hereby attached as in the following section	38

CHAPTER 1

1. INTRODUCTION AND OVERVIEW

1.1. Introduction

The Annual Performance Report of Molopo Local Municipality for the 2005/2006 Financial Year is compiled in terms of Section 46 (1) of the Local Government: Municipal Systems Act 32 of 2000 municipalities which requires the municipality to:

- prepare for each financial year an annual report consisting of a performance report, the financial statements for that financial year,
- an audit report on the financial statements and the report on the audit performed in terms of section 45(b), and
- any other reporting requirements in terms of other applicable legislation.

The purpose of an annual report is:—

- to provide a record of the activities of the municipality or municipal entity during the financial year to which the report relates;
- to provide a report on performance against the budget of the municipality or municipal entity for that financial year; and;
- to promote accountability to the local community for the decisions made throughout the year by the municipality or municipal entity.

Subsequently, Section 121(1) of the Local Government: Municipal Finance Act 56 of 2003 enjoins every municipality to prepare an annual report for each financial year.

The council of a municipality is required to deal with the annual report of the municipality and in accordance with section 129 within nine months after the end of a financial year.

Amongst others the annual report of a municipality must include—

- the annual financial statements of the municipality, and in addition, if section 122(2) applies, consolidated annual financial statements, as submitted to the Auditor-General for audit in terms of section 126(1);
- the Auditor-General's audit report in terms of section 126(3) on those financial statements;

- the annual performance report of the municipality prepared by the municipality in terms of section 46 of the Municipal Systems Act;
- the Auditor-General's audit report in terms of section 45(b) of the Municipal Systems Act;
- an assessment by the municipality's accounting officer of any arrears on municipal taxes and service charges;
- an assessment by the municipality's accounting officer of the municipality's performance against the measurable performance objectives referred to in section 17(3)(b) for revenue collection from each revenue source and for each vote in the municipality's approved budget for the relevant financial year;
- particulars of any corrective action taken or to be taken in response to issues raised in the audit reports referred to in paragraphs (b) and (d);
- any explanations that may be necessary to clarify issues in connection with the financial statements;
- any information as determined by the municipality;
- any recommendations of the municipality's audit committee; and
- any other information as may be prescribed¹.

This report is in response to the legislative requirements and will focus on the performance of Molopo Local Municipality for the financial year starting from 01 July 2005- 30 June 2006.

¹ Local Government: Municipal Finance Act 56 of 2003

1.2. Foreword by the Honourable Mayor

It is with sincere gratitude that I present to the council, the public and the relevant stakeholders the 2004/2005 financial report. This report is a reflection of efforts by all to ensure that we are able to deliver basic services to the most vulnerable and poor communities residing in this municipality.

It has been demonstrated through our projects that have been implemented that we try harder to use our scarce resources prudently and efficiently to reach out our community. This is done against the background of stringent allocations by national and the absence of the reliable tax base, and effective revenue raising measures that could be put into effect through proper policy formulation strategies.

This annual report further will provide highlights of our human resources capacity, the services that has been provided, the financial statements and the audited reports from the Office of the Auditor General. These are the critical areas that need to be scrutinized by the public, in order to enhance accountability and transparency.

Therefore, I extend many thanks to the council that has been supportive in our great endeavours and challenges, the officials that has played a major role in ensuring that internal systems are running efficiently in advancing the struggle against poverty and deprivation,

In conclusion, I would also like to thank the district for their continued support provided to this municipality. It is through these collaborative efforts and solutions are we able to jointly push back the frontiers of poverty.



SKM Namusi
Mayor of Molopo Local Municipality

1.3. Overview of the municipality

1.3.1. Area

Molopo Local Municipality (NW395) is located in the North West Province approximately 110 km west of Mafikeng and 100 km north of Vryburg. In 2002 the municipality was established in Pomfret, and due to the relocation it has moved its headquarters to Tosca.

The municipality is one of the six (6) local municipalities under the jurisdiction of Bophirima District Municipality. It comprises of the following farm areas, Bray, Tosca, Pomfret, Boshhoek, Vergeleë, Vorstershoop, Gemsbok and Makopong.

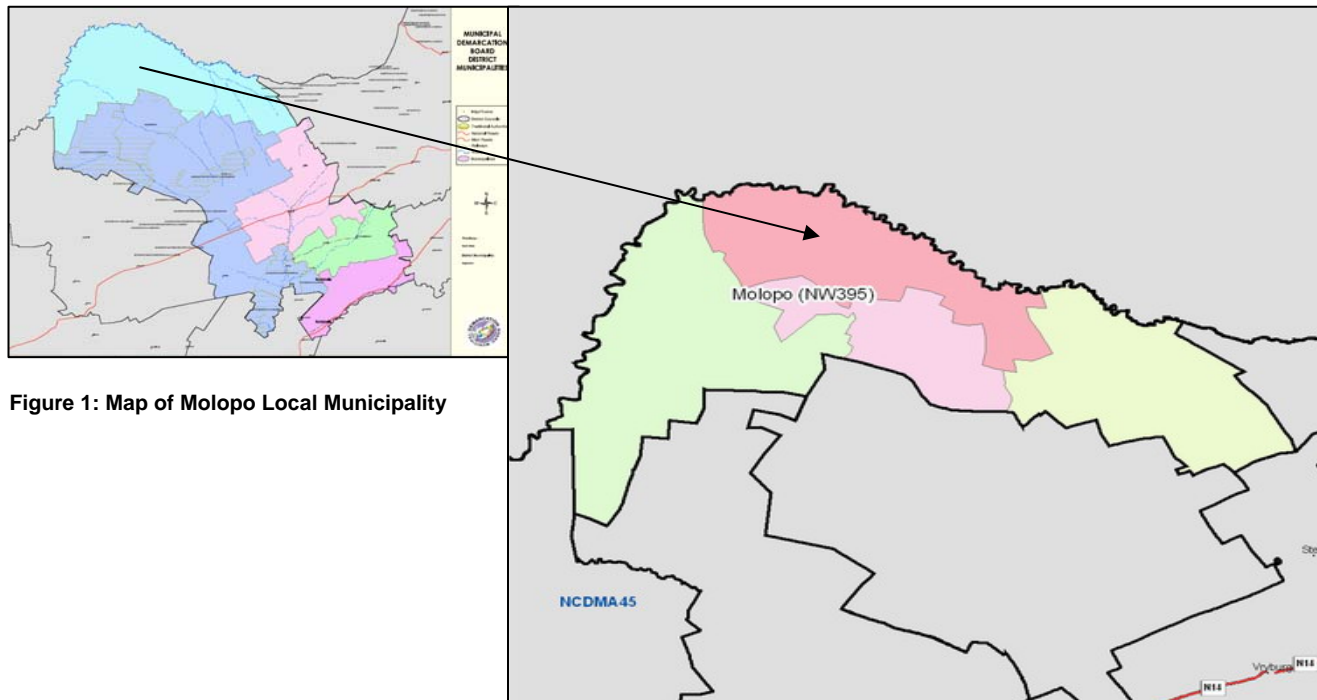


Figure 1: Map of Molopo Local Municipality

Source: Demarcation Board

The municipality is approximately 12 588 km² in extent which is about 26.51% of the total area of the Bophirima District Municipal Area. The area is characterized by nine (9) rural towns consisting of rural service centres and large farms (either ranching or dry land cropping with some supplementary irrigation from boreholes).

The municipality owns 20 % of the land, and the rest 80% is privately own, making it the smallest municipality in terms of land ownership in the North West Province. Largely the privately own land belongs to farmers controlling large tracks of land that is used for game farming.

The major rural land uses of the district consist of tourism facilities, isolated industrial activities, intensive agricultural activities and game (hunting) farms.

1.3.2. Population

According to the Census 2001 report, Molopo Local Municipality has an estimated population of 11 689 (2.97% of the total population of the Bophirima District Municipal Area) with a population density of 2.0 per km².

The African population comprises of 10534, Coloureds at 274, Indian 1 and the substantial number of Whites totalling 880 mainly the farming community.

About 50.22% of the population of the Molopo Local Municipal Area is females and males make up 49.78%.

Municipal Code	Name	Population 1996	Population 2001	Urban 1996	Urban 2001	Rural 1996	Rural 2001	Households 1996	Households 2001
NW395	Molopo Local Municipality	11689	13405	0	0	11689	13405	3444	3628

Table 1: Total population (Source: Census 2001)

The population growth rate in Molopo Local Municipality has declined drastically from 13405 in 1996 to 11689 in 2001. This represents a 0.01% decline. This is a result of, amongst other reason, the rampant HIV/AIDS scourge that is afflicting most communities in the in the Bophirima District Municipality.

This low growth rate or decline in this municipality can be attributed to a number of factors which can include the lack of economic growth and social development within the area. The larger portion of the population (37.73%) of the Molopo Local Municipal Area is in the tertiary education & economically active category (15-34 age groups). A substantial portion of the population (25.36%) of the Molopo Local Municipal Area is in the economically-active age group (35 to 64 years of age). The school going age represent about 21.75% of the population and 13.16% is assumed to be children under the age of 4. A small portion of the population (1.97%) of the Molopo Local Municipal Area is in retired age group (65 years of age and older).

1.3.3. Households

There are about 3639 households in Molopo Local Municipality comprising of formal, informal, traditional and other residential structures.

1.3.4. Water Services

Approximately 80% of the people of Molopo area have access to clean water; either in the dwelling (39.75%) or on-site taps or public taps (3.76%). The remaining approximately 20% of the population does not have access to clean water, with 17.38% of people utilising a borehole as their primary source of water. The application of the free quota of water in the Molopo area will be difficult due to the lack of adequate water infrastructure.

1.3.5. Sanitation

The majority of people in the Municipal area (77.07%) have access to sanitation - with 36.85% of people having flush toilets/waterborne sewerage systems and 39.44% using pit latrines. Many people in Molopo (23%) however still do not have sanitation facilities. A comprehensive sanitation programme is needed to curtail the spread of water borne diseases, in particular cholera.

1.3.6. Energy

As with water, the provision of a free quota of electricity to all sub-economic households will be difficult due to lack of appropriate infrastructure. The present level of provision is low with more than half households (59.97%) in the Municipal area are using gas, paraffin or candles.

1.3.7. Communication

A large percentage of people (76.51%) have access to a telephone either in their homes, through neighbors, public phones.

1.3.8. Roads

With the exception of the road between Tosca and Vryburg, all roads in the area are not tarred. Internal road linkages between towns are poor, while external linkages (including linkages to the provincial capital) are equally poor. External linkages to the district center of Vryburg are better due to road between Tosca and Vryburg being tar. According to the municipality's interim IDP there is a 90% backlog of roads.

1.3.9. Refuse removal

Municipal refuse removal is limited, with only 21.26% of households having refuse removal occurring through weekly municipal removals. The remainder of refuse is either dumped by residents at a communal dump (19.94%) or at their own dump (52.02%). The low percentage of municipal refuse removal and the associated high percentage of self-dumping (71.96%) indicate that there is a critical need for better municipal facilities and the urgent need for a District disposal site and the means of transporting waste disposal.

1.3.10. Household Income

About 471 or 12.97% households in the Molopo Local Municipal Area have no annual household income. 1378 or 37.95% households are earning between R1 – 4800. Most of the households, 909 or 25.03% in the Molopo Local Municipal Area have an annual household income of between R4801 – 9600 per year. A total of 309 or 8.51% households have an annual household income of between R9 601 – 19 200. The lower category of earners is between R19 201-38400, which translate into about 300 or 8.26% households. This implies that almost 3067 or 84.56% of the households in the Molopo Local Municipal Area live below the minimum living level.

An estimated 139 or 3.82% of the households in the Molopo Local Municipal Area, have an annual household income of between R38401- 76800 a year. Up to 123 or 3.38% households have an annual income of between R76 801– 153 600, which indicates that few people are in the low-income category. The census for people in the high income category between R76 801-245 760, about 82 or 2.25% of the people, indicates that Molopo Local Municipality has few jobs, this can be attributed to the rural nature and few jobs available to attract people with the skills that can earn them higher income.

1.3.11. Agriculture

The agricultural potential of Molopo is limited to cattle, sheep, goats and certain crops. In general, the Molopo area is marginal value for crops. The poor water resources in the area create a low potential for irrigation.

1.3.12. Mining

The demise of the asbestos industry has led to the closure of mines (Pomfret), which in turn has created large unemployment of skilled mining labour.

1.3.13. Tourism

Although not currently a major contributor to the economy of the area, tourism in the area is increasing and is linked very closely to the farming industry. Game/Hunting farms, coupled with safari lodges, are on the increase. The farms are used for hunting season and for eco-tourism in the off - season (remainder of the year).

1.3.14. Land reform

Information on land reform projects in the Molopo area is still awaited from the relevant authorities. Proper capacitation and training of participants and applicants is needed in order for them to properly manage agricultural or other income-generating initiatives on land provided. This training is particularly important given the low agricultural potential of the area where these Land Reform Projects are concentrated.

1.3.15. Finance

The role of individuals in development includes participation in the prioritisation of the projects and in paying of the appropriate financial user charges, rates and other contributions. In Molopo, the ability of individuals to pay is limited. Households incomes are also very low, with 56.35% of households in the area earning less than 18 000 per annum. Many farm workers in Molopo do not receive any cash remuneration but work on farms in order to be allowed to stay on the farm. The improvement of the economy is critical to the development of the capabilities of individuals and of businesses in Molopo to contribute financially to the development of the area.

1.3.16. Gross Geographic Value Added

The average per capita GGVA for the North West Province in 2001 was 15 509. The per capita GGVA figures in the Kagisano and Molopo (Huhudi) and Greater Taung (Phokwani) districts are thus approximately one fifth of the average figure for the North West Province.

1.4. Executive summary

1.4.1. Vision

The vision of the municipality reads: ***“We, the Molopo Local Municipality as per the Constitution of the Republic South Africa commit ourselves to be a developmental municipality where the quality of all people’s life will be improved.”***

1.4.2. Mission

Our vision will be achieved through full participation of all stakeholders, capacitated communities, active youth, women structures, cooperation and support of the well established business sector to be exposed to realize the natural resources that we can use to join the economic world through LED activities

1.4.3. Planned Strategic Outcomes

The planned strategic outcomes are captured in the fifty-eight (58) objectives outlined in the adopted IDP document. The objectives are encapsulated in the national key performance indicators. The planned strategic outcomes of the municipality are:

- to ensure that all households have access to basic level of water, sanitation, electricity and solid waste removal;
- to ensure good financial management by planning accordingly to ensure that the municipality’s capital budget is actually spent on capital projects identified in for the current financial year in terms of the municipality’s Integrated Development Plan;
- to create jobs through created local economic development initiatives including capital projects; and
- to spend a certain percentage of a municipality’s budget in implementing its workplace skills plan, though this hasn’t be achieved yet.

1.4.4. Municipal Financial Health

It has been recorded in the previous financial statements that this municipality lack human and financial resources to implement its major projects and put in place good institutional systems to ensure that delivery of services to the communities. This has rendered the municipality to spent within the limits of the equitable share and conditional grants. It has been demonstrated in the financial statements that we were unable to spend all funds for capital and LED projects that were set aside in the operating and capital budget for the 2005/06 financial year. However, the financial health of the municipality is stable, and is a result of spending within the limited capacity. The municipality has received unqualified audit opinion for the 2004/05 annual financial statements, and this is a reflection of the status quo.

1.4.5. External and internal challenges faced by the municipality

The following major challenges were faced during the 2005/06 financial year:

- The implementation of the Municipal Finance Management Act (MFMA) posed the greatest challenge as it has totally transformed financial management in Local Government.
- The Molopo Local Municipality has no source of own income due to its rural character and high level of poverty and unemployment.
- Total reliance on grants through the equitable share allocation and others sources is not sufficient to perform all powers and functions as required.
- Due to the lack of funding the municipality is unable to appoint officials in key positions and is reliant on assistance from the Bophirima District Municipality to perform it's functions.
- To a combination of reasons the municipality has been unable to spend all funds for capital and LED projects set aside in the operating and capital budget for the 2005/06 financial year.

1.4.6. Administrative Considerations

- The Operational and Capital Budget for the 2006/07 financial year was adopted by Council on the 15 June 2006.
- Unqualified audit opinion for the 2004/05 annual financial statements.
- The new Supply Chain Management Policy of the Municipality was approved for implementation effective 1 July 2006 in line with legislation.

1.4.7. Effectiveness in municipal transformation

The following are described further in Table:

1.4.7.1. Frameworks, systems and policies developed to transform municipalities

The municipality has ensured that PMS is implemented, especially the PMS Framework. A workshop to review the council policies was held.

1.4.7.2. Effectiveness of municipal transformation

The transformation of the municipal is moving at a snail space, given the size and the planned programs and projects that must be implemented. All existing post and proposed new posts in the organogram of the municipality couldn't be implemented given the extent of the limited financial resources at our disposal. At the level of transforming internal systems at least more official are consulted and included in major decision making processes. Capacity building provided has transferred skills to existing officials.

1.4.7.3. General functioning of the municipality – leadership provided by administrators and politicians

The Municipal Manager and the Senior Admin Officer are the forefront of ensuring that the administrative arm of the municipality is running smoothly. The absence of other officials i.e. Section 57 managers makes the job too cumbersome for the Municipal

Manager as he acts now as the general manager of the institution. The Municipal Manager does provide the leadership to steer the organisation in the right direction, though he encounters problems from time to time in execution of the tasks such as getting the right resources to implement decisions taken by council.

The political arm led by the Mayor has been supportive in the implementation of policy decisions and initiatives relating to service delivery to the communities. There have been some conflicts between the political and the administrative arm in terms of implementation of council decision i.e. appointment of staff, remuneration of officials etc, but these have been handled and resolved amicably.

Table: Municipal Transformation and Institutional Development

Key Performance Areas	Progress with implementation	Comparison with the previous financial year	Performance targets for the next financial year
Completion of IDP review to influence budget	The Reviewed IDP was completed in time.	IDP review completed in time	To review the IDP by March 2006
Supporting from the district municipality with staff	Support in terms of Engineering and LED Community Based Projects.	District continuously support the municipality with planning i.e. Financial, IDP, LED etc	Continuous support
	PIMS provided facilitation, information, training and documentation also provided support by managing various town-planning activities, reviewing of spatial development frameworks	Continued to provide demand-oriented user friendly service	Continuous support
Support from the district municipality with the IDP review process via PIMS	The PIMS supported the IDP review process strategic planning.	Continuation of agreement.	Continuation of agreement
Support from the district for newly established municipalities with Financial Management.	The Molopo received unqualified Auditor-General reports for 2004/2005	On standard	Continuous support, Molopo still lack capacity.
Performance Management: to ensure councillors and officials are able to monitor, review and report on performance.	PMS is being implemented	Limited systems and agreements in place	SDBIP based on the MFMA to be done accordingly
Drafting of Council Policies	Policies adopted by Council	Policies workshop held for councillors and officials	Councillors and officials to put in practise

CHAPTER 2

2. PERFORMANCE HIGHLIGHTS

2.1. Municipal service delivery strategies

The municipality's service delivery strategies involve ways in which the planned strategic outcomes were achieved in the last financial year. As one of the strategies, the municipality has consulted the Bophirima District Municipality in budgeting for the capital projects and liaison in terms of project prioritisation.

2.2. Projects that have impact in the lives of the communities

The following are some of the major projects that we have being implemented to change the lives of the communities:

- Bray Community Lighting
- Bray Water Supply
- Bray Land and Building Infrastructure
- Contribution to Dr Ruth Mompati Bursary Fund
- Bray Sports Facility
- Financing of Molopo Bursary Fund

The table below depicts the projects above the budget allocation and expenditure per project:

PROJECTS IN MOLOPO LOCAL MUNICIPALITY AREA FOR 2005/2006 FINANCIAL YEAR					
ITEM	PROJECT DESCRIPTION	TOTAL PROJECT AMOUNT	ALLOCATION 2005/2006	ACTUAL EXPENDITURE	COMMENTS
1	Bray basic sports facilities	R 1,000,000	R 1,000,000	R 828,703	Problems were experienced with the contractor whose contract were terminated and the Municipality has implement part of project internal with local labour
2	Bray Community Lighting	R 1,338,914	R 1,076,932	R 1,014,129	Problems experienced with Eskom connection
3	Bray water Supply	R 1,883,369	R 1,883,369	R 47,084	Problems to secure adequate ground water resources.
4	Tosca water supply	R 2,456,140	R 2,456,140	R 0	Problems that the ownership of land is not resolved
GRAND TOTALS		R 6,678,423	R 6,416,441	R 1,889,916	

2.3. Strategies for communities and stakeholders participation in developing and implementation IDP

The community and other stakeholder i.e. sector departments, CBO, NGOs etc., has been consulted through the IDP Representative Forum to identify and prioritize community needs. Ward committees have been provided with capacity building programmes and are utilized to gather ward based needs that are forwarded to the IDP Rep Forum for further consideration.

The involvement of sector departments has been minimal, but the Dept. of Agriculture has been visible in the IDP Rep Forum provide valuable information on the projects to be implemented in the municipality.

2.4. Services Provided

The services provided by the municipality and the performance highlights for the year:

- **Number of households electrified during the financial year**

No households were electrified in the financial year. In terms of electrification the major project implemented was the Bray Community Lighting. The project was completed in the financial year

- **Number of new households provided with water during the financial year**

The district is the water services authority in terms of the powers and functions. The major project done was the Construction of water supply reticulation network to supply water to communities Tosca,

- **Number of new houses built in the municipality during the financial year**

No new houses were built in the financial year.

- **Collection levels for revenue due**

As already mentioned the municipality doesn't have capacity to collect revenue, good systems are needed such as the indigent registers, valuation of property and put in place policies such as the tariff policy. These will ensure that municipality become financial viable through generation of enough revenue to become self sufficient and sustainable.

2.5. Backlogs in Service Delivery

The service delivery backlogs of Molopo Local Municipality are captured in the total backlogs of Bophirima District Municipality:

2.6. Backlogs relating to Municipal Spending on Service Delivery Infrastructure

To ensure that minimum services are provided, municipalities need to ensure that service delivery infrastructure is in place and properly maintained.

This will require new infrastructure to be built and existing infrastructure to be maintained depending on the level and standard of service the municipality has decided to provide to each section of the community based on their IDP.

Hence there are two components to municipal spending required to eliminate backlogs: new infrastructure and renewal of existing infrastructure. Routine maintenance of infrastructure will also be required to ensure that additional backlogs are not created.

The following table underneath provides information, per sector or functional area, to address backlogs through new infrastructure or renewal of existing infrastructure:

Functional Area	30 June 2006			
	Required	Budgeted	Actual	Backlog
Water Backlogs (6Kl per month)				
Backlogs to be eliminated (No. Households not receiving Minimum Standard Service)	30 890	R 23,268	R 22,532	
Backlogs to be eliminated (Percentage - HH identified as backlogs/total HH in municipality)	30 890	R 23,268	R 22,532	
Spending on Renewal of Existing Infrastructure to Eliminate Backlogs (Rand '000)	R 152,35	R 23,268	R 22,532	
Total Spending to Eliminate Backlogs (Rand '000)	R 152,35	R 23,268	R 22,532	R 129.08 m
Spending on Maintenance to Ensure No New Backlogs Created (Rand '000)				
Sanitation Backlogs				
Backlogs to be eliminated (no. Households not receiving Minimum Standard Service)	53 680	R11,3m	R10,9 m	
Backlogs to be eliminated (Percentage - HH identified as backlogs/total HH in municipality)	53 680	R11,3m	R10,9 m	
Spending on Renewal of Existing Infrastructure to Eliminate Backlogs (Rand '000)	R160.75m	R11,3m	R10,9 m	
Total Spending to Eliminate Backlogs (Rand '000)	R160.75m	R11,3m	R10,9 m	R149.45 m
Spending on Maintenance to Ensure No New Backlogs Created (Rand '000)				

Functional Area	30 June 2006			
	Required	Budgeted	Actual	Backlog
Water Backlogs (6KI per month)				
Refuse Removal Backlogs				
Backlogs to be eliminated (No. Households not receiving Minimum Standard Service)	5874	R 3,5m	R 2,1 m	
Backlogs to be eliminated (Percentage - HH identified as backlogs/total HH in municipality)	65786	R 3,5m	R 2,1 m	
Spending on Renewal of Existing Infrastructure to Eliminate Backlogs (Rand '000)	R 37,5 m	R 3,5m	R 2,1 m	
Total Spending to Eliminate Backlogs (Rand '000)	R 37,5 m	R 3,5m	R 2,1 m	R 34 m
Electricity Backlogs (30KWH per Month)				
Backlogs to be eliminated (No. Households not receiving Minimum Standard Service)	35676	R 6.8 m	R 4.3 m	
Backlogs to be eliminated (Percentage - HH identified as backlogs/total HH in municipality)	35676	R 6.8 m	R 4.3 m	
Spending on Renewal of Existing Infrastructure to Eliminate Backlogs (Rand '000)	R 160.54	R 6.8 m	R 4.3 m	
Total Spending to Eliminate Backlogs (Rand '000)	R 160.54	R 6.8 m	R 4.3 m	R 153.74 m
Spending on Maintenance to Ensure No New Backlogs Created (Rand '000)				
Roads Backlogs				
Backlogs to be eliminated (No. Households not receiving Minimum Standard Service)	880 km	R 8 m	R 7.5 m	
Backlogs to be eliminated (Percentage - HH identified as backlogs/total HH in municipality)	880 km	R 8 m	R 7.5 m	
Spending on Renewal of Existing Infrastructure to Eliminate Backlogs (Rand '000)	R 836 m	R 8 m	R 7.5 m	
Total Spending to Eliminate Backlogs (Rand '000)	R 836 m	R 8 m	R 7.5 m	R 828 m
Spending on Maintenance to Ensure No New Backlogs Created (Rand '000)				
TOTALS	R 1,347,100 m	R 52.86 m	R 47.33 m	R 1,294,270 m

CHAPTER 3

3. HUMAN RESOURCE AND OTHER ORGANISATION MANAGEMENT

3.1. The organisational structure

3.1.1. Type and political structure

The Molopo Local Municipality is a Category B municipality with a ward participatory system. The municipality is a Grade 1 local authority with eight (8) councilors (inclusive of the mayor).

The Council has the following committees:-

- Human Resources
- Finance, Tender and IDP

3.1.2. The Administrative Structure

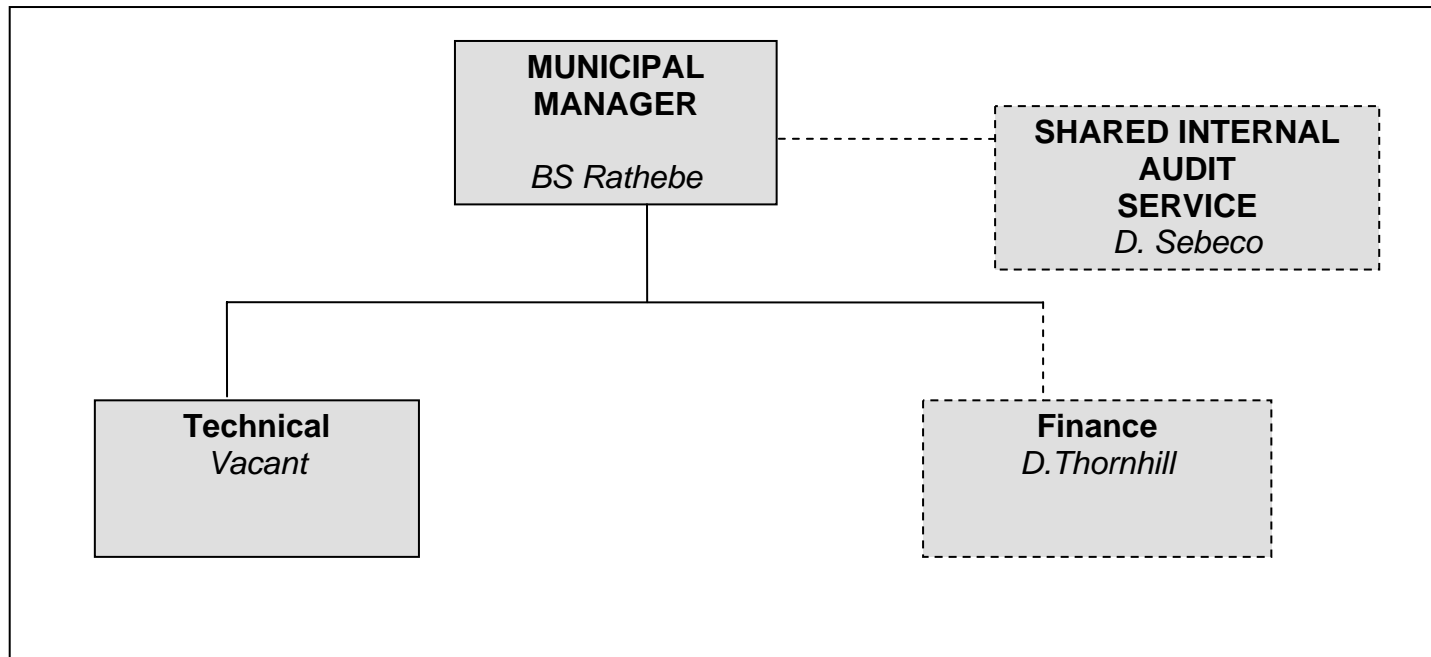
The head of administration is the Municipal Manager and there are no Section 57 managers.

The municipality has a total ten (16) employed staff members. The positions and gender status are as follows:

- Municipal Manager – African Male
- Senior Admin Officer – White Male
- Admin Clerk –African Female
- Receptionist/Typist –African Female
- 3x Cleaners – 2 African Female and 1 male
- 3x Security Officers – 3 African Males
- 1x Driver- African Male
- 1x IDP and LED Officer – African male

- 1 x Community Liaison Officer – African male
- 1X Special Programmes Officer – African female
- 2x Librarian – African male and African female

The municipality has three (3) established departments i.e. Technical, Finance and Administration from the main structure. The Technical department is still not formalized, most of its functions are performed by the District and the same applies to the Finance department. The Internal Audit Shared Service performs its function on behalf of all local municipalities in the district.



3.2. Municipality's initiative with regard to employment issues

3.2.1. Employment Equity

It has been mentioned earlier that the municipality lacks financial resources to fund its operations such as recruiting skill personnel. Therefore, with regard to employment equity, not much was achieved in the financial year. All positions occupied by male employees. No vacant position was available.

3.2.2. Skills Development

The district has been supporting this municipality with the roll-out of the skills development programme. One official was enrolled for the Local Economic Development (LED) learnership. The municipality approved the municipal finance learnership but no funding was granted from the LGWSETA.

3.3. Human Resource Management Policies

The council has adopted the following policies for ensuring transparency and accountability:-

- Recruitment and Employment Policy
- Smoking Policy
- HIV/AIDS in the workplace Policy

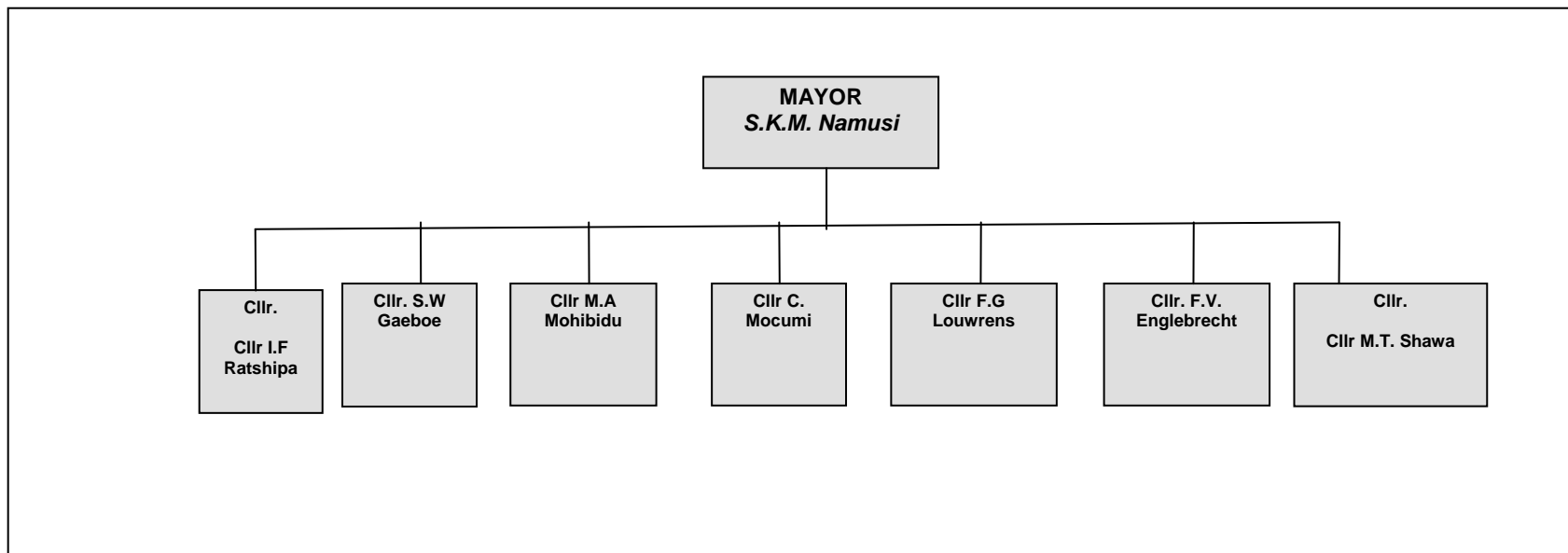
3.4. Performance

The Performance Management Framework (Policy) was to be reviewed in the next financial as result of the new Performance Management Regulation that were proposed by the national minister.

3.5. Governance

3.5.1. Political Structure

The municipality is a ward participatory system and has eight (8) councilors (inclusive of the mayor).



The council is constituted as follows (see also General Information):-

The council has two (2) sub-committees:

- Finance, Tender and IDP
- Human Resources

3.6. Staffing Information

The following information indicates the numbers of staff per function expressed as total positions and full time staff equivalents.

TOTAL NUMBER OF EMPLOYEES IN THE MUNICIPALITY																	
	African		Coloured		Indian		White		Total		PWD		Age categories				
Employment category	M	F	M	F	M	F	M	F	M	F	M	F	-20	20-30	30-40	40-50	+50
Leadership & governance																	
Mayor/Speaker	1								1							1	
Councillors		4					2		2	4					2	1	3
Municipal Manager's Office																	
Municipal Manager	1								1							1	
Corporate Services Department																	
Senior Admin Officer							1		1							1	
Admin Clerk		1								1				1			
Librarian	1	1							1	1					1	1	
Receptionist		1								1				1			
Cleaner		1								1						1	
Messenger/Driver	1								1							1	
Security	3								3							1	
Community Services Department																	
Community Liaison Officer	1								1					1			
LED/IDP Officer	1								1						1		
Office of the Mayor/Speaker																	
Special Programmes Officer		1								1					1		
TOTAL	9	9					3		12	9				4	5	8	3

3.7. Skills Levels

This information gives details of skills level attained by staff (e.g. professionals, artisans, unskilled)

SKILLS LEVEL						
	Senior Officials	Professionals	Clerical	Elementary Occupation	Other	Total
Municipal Manager	1	0	0	0	0	1
Corporate Services	0	1	7	5	3	16
Community Services	0	2	0	0	0	2
Office of the Mayor/Speaker	0	0	0	0	0	0
Total	1	4	7	5	3	20

3.8. Pension Funds

The following are the Pension Funds used by employees of the municipality:

Pension Funds	Total
Cape Retirement Pension Fund	20

3.9. Medical Aid Funds

The following are the Medical Aid Schemes used by employees of the municipality:

MEDICAL AID FUNDS	Total
Bonitas	20

3.10. Arrears

- No official or councillor is currently in arrears with the municipality in any of his/her financial obligations.

3.11. Staff Salary Disclosures

This Information is reconciled with the staff salary disclosures as indicated in Chapter 4 reporting on the Annual Financial Statements with reference to Appendix G as required by the section 124 and 125 of the MFMA).

SALARIES - OFFICIALS																			
JULY 2005 - JUNE 2006																			
		Leave	Service		Taxable	Vehicle	Housing		KM	Accom	Total			UIF	SDL	Bargaining	RSC	Total	TOTAL
	Basic	Pay	Bonus	Overtime 1.5	Allow	Allowance	Allow	Subsist	Reimbursed		Earnings	Pension	Medical			Council	Levy	Contri	
Office of the Municipal Manager	R	R	R	R	R	R	R	R	R	R	R	R	R	R	R	R	R	R	R
B.S Rathebe	204,803	39,505	-	-	-	85,327	53,225	9,300	84,594	8,800	485,554	26,933	11,822	1,252	3,317	-	1,384	44,708	530,261
	204,803	39,505	-	-	-	85,327	53,225	9,300	84,594	8,800	485,554	26,933	11,822	1,252	3,317	-	1,384	44,708	530,261
Corporate Services																			
D.Z Andre	43,932	3,661	222	-	-	-	-	4,000	-	800	52,615	7,861	-	486	453	32	155	8,988	61,603
B.B Dithakgwe	57,408	4,784	7,437	-	-	-	2,750	5,900	6,642	4,400	89,321	10,259	6,016	768	725	32	266	18,067	107,388
Z.J De Almeida	40,017	3,332	1,125	-	-	-	-	-	-	-	44,474	7,162	-	445	415	32	142	8,196	52,670
L.Kapato	39,984	3,332	-	-	-	-	-	-	-	-	43,316	7,162	-	433	403	32	138	8,169	51,485
B.P Lepodise	63,336	5,278	9,592	-	-	-	2,750	6,089	3,533	4,800	95,378	11,317	6,016	858	797	32	285	19,304	114,683
J.J. Liebenberg	80,712	6,726	5,800	-	-	-	2,500	3,900	-	3,600	103,238	14,460	1,200	966	925	32	317	17,900	121,138
D.V. Loabile	39,914	1,451	593	-	-	-	-	3,000	-	6,400	51,358	-	-	484	453	32	25	994	52,351
S. Modisaesi	39,984	3,332	2,038	-	-	-	2,750	100	-	-	48,204	7,162	4,050	481	452	32	154	12,331	60,535
K.More	39,984	3,332	1,942	-	-	-	-	-	-	-	45,258	7,162	-	453	423	32	144	8,214	53,472
J.k. Mongwegi	39,984	3,332	1,125	-	-	-	-	-	-	-	44,441	7,162	-	444	415	32	142	8,195	52,636
K.C Mahusi	82,596	6,883	5,252	-	-	-	2,750	7,700	18,003	8,400	131,584	14,752	6,419	1,031	920	32	395	23,550	155,134
O.R Mokgara	74,340	6,195	14,932	-	-	-	2,750	7,500	-	13,600	119,317	13,325	7,819	1,078	1,024	32	363	23,642	142,959
K. Sethabetsi	39,984	3,332	1,125	-	-	-	-	-	-	-	44,441	7,162	-	444	415	32	142	8,195	52,636
K.M Sekgweleo	71,580	5,965	-	-	-	-	2,750	300	-	400	80,995	12,824	10,534	795	744	32	258	25,186	106,181
B.S. Saal	39,914	1,451	-	-	-	-	-	-	-	-	41,365	-	-	414	383	32	22	851	42,216
		62,386	51,181	-	-	-	19,000	38,489	28,178	42,400	1,035,303	127,771	42,053	9,579	8,946	486	2,949	191,784	1,227,087
TOTAL REMUNERATIONS	998,472	101,891	51,181	-	-	85,327	72,225	47,789	112,772	51,200	1,520,856	154,703	53,874	10,831	12,263	486	4,333	236,492	1,757,348

CHAPTER 4

4. FUNCTIONAL AREA SERVICE DELIVERY REPORTING

The Functional Area Service Delivery Report is intended to provide comprehensive information on each functional area (GFS sub function) provided by the municipality and the municipal entity. It includes an overview, description and detailed analysis of each function and is attached as follows:

Reporting Level	Details	Total	
Overview	<p>The Molopo local municipality has been one of the local council established as per the results of the 05/12/2000 local government elections. This council did not amalgamate with any council as it has happened with other municipalities in the country. Small towns that comprise Molopo are: Pomfret, Tosca, Bray, Vergelegen, Boshoeck, Gemsbokvlakte, Makopong and Vostershoop.</p> <p>This municipal council area is situated north of the town Vryburg and west of Mafikeng. The area is predominantly farm rural with no traditional area as it is in the other municipalities. The total population stand at 11686 as per census 2001. The area in kilometers square is 12513.32. The main income in the area derives from agricultural activities like cattle, sheep, goats and certain crops, tourism as well as business services. A number of government department also are providing services though most of the offices are located at Ganyesa, Morokweng and Vryburg which is far from the people on the ground.</p>		
	Geography		
	Geographical area in square kilometers	12513.32	
	Source of information :GAFFNEYS :LOCAL GOV.IN S.A.2002-2004		
	Demography		
	Total population	11689	
	Source of information		
	Indigent population		
	Source of information		
	The basis of indigent policy with definition of indigent		
	Total number of voters	4719	
	Aged breakdown		
	- 65 years and over	230	
	- between 40 and 64 years	2965	
	- between 15 and 39 years		
	- 14 years and under	2543	
	Source of information		
	Household income:		
	- over R3,499 per month		
	- between R2,500 and R3,499 per month		
	- between R1,100 and R2,499 per month		
	- under R1,100 per month		

Key Performance Area	Performance During the Year, Performance Targets Against Actual Achieved and Plans to Improve Performance	Current	Total
1.	<p><u>PERFORMANCE TARGET:</u></p> <ul style="list-style-type: none"> ● Provision of basic services to communities ● Skills development for the Youth and Woman ● Provision of basic recreational facilities ● Supporting LED projects ● Promoting sports and recreation ● Coordination of development from other spheres to avoid parallel delivery of services 		
2.	<ul style="list-style-type: none"> ● Ensuring participation of the community in council and government affairs ● Support to the CDWs and ward committees <p>The following services were jointly provided by the local and the District as it states in the financial report.</p>		
3.	<ul style="list-style-type: none"> ● Erection of 20 VIP toilets for Tosca and Bray ● Support to the Youth development ● Creation of cadastral mapping ● Management courses for some officials ● Fencing of graveyards for Bray and Tosca ● Completion of the remaining 29 RDP houses at Bray ● Support to LED projects at Bray and Tosca ● Provision of high mast lights at Bray ● Approval of the provision of water reticulation at Tosca and Bray 		
4.	<p><u>VARIANCE</u></p> <p>Due to lack of Capacity, we could not execute all the targets as expected. Other services are competences of other spheres and Para-statal</p>		
5.	<p><u>PLANS FOR IMPROVEMENT</u></p> <p>To fast-track the implementation of compilation of valuation forms for Property rates. This will enable us to appoint other officials to enable council to provide services as expected. Proper coordination of service delivery amongst spheres and sectors.</p>		

Annual Performance Report 2005/2006

Function: Council		
Sub Function: Political		
Reporting Level	Details	Total
Overview	Ensuring the over all implementation of Legislation as mandated by the constitution and all related acts governing local spheres of government.	
Description of the Activity	<p>The function of the council within the municipality is administered as follows and includes:</p> <ul style="list-style-type: none"> These services extend to include the Provision of basic services, L.E.D Projects, Basic sports and Recreational facilities and Co-ordination of developments from other spheres and sectors to avoid parallel Service delivery <p>The strategic objectives of this functions are to:</p> <ul style="list-style-type: none"> -Engage all relevant stake Holders in developments -To ensure sustainability in the lives of the people and fighting of poverty <p>The key issues for 2005/2006 are: Refer to Performance targets</p>	
Analysis of the Function	<p><u>Councillors details:</u></p> <ol style="list-style-type: none"> Total number of Councillors Number of Councillors on Executive Committee <p><u>Ward details:</u></p> <ol style="list-style-type: none"> Total number of Wards Number of Ward Meetings <p>Number and type of Council and Committee meetings:</p> <ol style="list-style-type: none"> Council Meetings Special Council Meetings HR Committee Meetings Finance Committee Meetings 	<p>08</p> <p>04 04</p> <p>07 03</p> <p>03</p> <p>03</p>

Annual Performance Report 2005/2006

30

Key Performance Area	Performance During the Year, Performance Targets Against Actual Achieved and Plans to Improve Performance	Current
1.	<p><u>TARGET</u></p> <p>Ensuring the provision of service delivery</p> <p><u>ACTUAL ACHIEVED</u></p> <p>Refer to general information</p> <p><u>PLANS TO IMPROVE</u></p> <p>For purposes of accommodating newly elected Councilors, Capacity building workshops as organized by SALGA and Government, must be attended by members of the council. The implementation of the performance management system is important.</p>	

Annual Performance Report 2005/2006

31

Function:	Finance and Administration		
Sub Function:	Human Resources		
Reporting Level	Detail	Total	
Overview:	Includes all activities relating to the human resource management function of the municipality including recruitment, selection and induction - also performance management systems, code of conduct detail and decision making systems. Note: Read in conjunction with Chapter 3 on <i>Human Resource Management</i> .		
Description of the Activity:	The function of human resource management within the municipality is administered as follows and includes:		
	<i>Skills development - through, Internships, learnerships and skills programmes; Employment Equity - by appointing the previously disadvantaged in senior positions ; Labour Relations - by maintaining sound labour relations through Local Labour Forum meetings; Human Resources Administration - through recruitment, selection, internships and conditions of service; Employee Assistance Programmes - staff wellness programmes and counselling.</i>	0	50
	These services extend to include, but do not take account of <function/area> which resides within the jurisdiction of <national/provincial/other private sector> government. The municipality has a mandate to:		
	<i>Deliver effective basic, affordable and quality services to communities</i>		
	The strategic objectives of this function are to:		
	<i>To render effective human resources administration to the municipality by appointing skilled personnel and implementing human resources related policies</i>		
	The key issues for 2005/06 are:		
	<i>Implement programmes that will address objectives of the growth and development strategy</i>		
Analysis of the Function:	<Provide statistical information on (as a minimum):>		
1	Number and cost to employer of all municipal staff employed:		R (000s)
	- Managerial	1	520 849.00
	- Supervisory	4	708285

Annual Performance Report 2005/2006

32

	- OfficeClerical	7	336314
	- Non-professional (blue collar, outside workforce)	5	186260
	- Temporary Staff	3	244000
	Note: total number to be calculated on full-time equivalent (FTE) basis, providing detail of race and gender according to the breakdown described above. Total cost to include total salary package		
Key Performance Area	Performance During the Year, Performance Targets Against Actual Achieved and Plans to Improve Performance	Current	Target
<i>List at least five key performance areas relative to the above function as articulated in the budget here></i>	<i>The actual performance achieved over the financial year, and the variance between performance planned and actual performance, an explanation of the variance. Also provide details of any improvements planned for next year.</i>		
Skills Development	Leanerships - Local economic development (LED)		
	- Municipal finance (Learnership approved but no funding was granted by LGWSETA)	1	5
Employment Equity	All positions occupied by male employees - no vacant position is available	0	3 PDI
EAP	Policy developed and approved but not yet implemented	Yes	To workshop all employees
Labour Relations	Organisational Rights Agreement (ORA) terminated. Termination prohibited further meetings	3	4 LLF meetings
Human Resources Admin	Non-submission of leave forms on time. Failure of electronic system.	90%	100%

Annual Performance Report 2005/2006

33

Function: Planning and Development
Sub Function: Economic Development

Reporting Level	Details	Total	
Overview	For purposes of improving the life's of the people and pushing back the frontiers of poverty local economic development that are visible must be seen. As an area that is active in agriculture it is important as we are trying to do to engage our communities in the economy of the area.		
Description of the Activity	<p>The function of economic planning/development within the municipality is administered as follows and includes:</p> <p>These services extend to include the implementation of all the local economic developments of the council and the coordination of plans as budgeted for by other spheres of government and other sectors. Provincial and National plans are born by them in terms of funding but the implementation is on the ground which needs the local municipality to partake as well. The municipality has a mandate to:</p> <p>COORDINATE GUIDED BY THE IDP DOCUMENT.</p> <p>The strategic objectives of this function are to:</p> <ul style="list-style-type: none"> -{a} To enhance commercial and subsistence farming {b} To improve skills of Local communities {c} To provide adequate sanitary services <p>The key issues for 2005/2006 are:</p> <p>ENSURE THAT STAKEHOLDERS PARTICIPATE FOR THE SUSTAINABILITY OF THE PROJECTS.</p>		

Annual Performance Report 2005/2006

34

Analysis of the Function	Details	Total	
1.	<p>Number and cost of employer of all economic development personnel:</p> <ul style="list-style-type: none"> - Professional (Directors/Managers) - Non professional (Clerical / Administrative) - Temporary - Contract <p>Note total number is calculated on full-time equivalent (FET) basis, total cost to include total salary package.</p>	<p>None</p> <p>1 officer</p> <p>none</p> <p>none</p>	
	<p>Details and cost of incentives for business investment:</p> <p>-----</p> <p>Incentives are listed by project, with total actual cost to municipality for year.</p>		
2.	<p>Details and cost of other urban renewal strategies:</p> <p>-----</p> <p>Strategies are listed by projects, with total actual cost to municipality for year</p>		
3.	<p>Details and cost of other rural development strategies:</p> <p>-----</p> <p>Strategies are listed by projects, with total actual cost to municipality for year</p>		
	<p>Number of people employed through job creation schemes:</p> <ul style="list-style-type: none"> - Short-term employment - Long-term employment <p>Total number is calculated on full-time equivalent (FET) basis, and is based on direct employment as a result of municipal initiatives</p> <p>Number and cost to employer of all Building Inspectors employed:</p> <ul style="list-style-type: none"> - Number of Building Inspector - Temporary - Contract <p>Total number is calculated on full-time equivalent (FET) basis, and is only based on direct employment as a result of municipal initiatives.</p>	<p>None</p> <p>None</p> <p>none</p>	
5.	<p>Details of building plans:</p> <ul style="list-style-type: none"> - Number of building plans approved - Value of building plans approved <p>Note: Figures are aggregated over year to include building plan approvals only.</p>	<p>None</p> <p>none</p>	

Annual Performance Report 2005/2006

35

6.	<p>Type and number of grants and subsidies received: -----</p> <p>Note: the value of specific planning and development grants actually received during year is recorded over the five quarters – April to Jun last year, Jul to Sep, Oct to Dec, Jan to Mar, Apr to Jun this year</p>		
----	---	--	--

Annual Performance Report 2005/2006

36

FUNCTION : COMMUNITY AND SOCIAL SERVICES
SUB FUNCTION: ALL INCLUSIVE

REPORTING LEVEL	DETAILS	TOTAL	
OVERVIEW	Since the establishment of the Molopo Local Council, the Library services were not in place. Council started to compile business-plans for 2005/2006 financial years for submission to the Provincial Department of Arts and Culture for the Establishment of the Libraries. We have thus far established two libraries in Molopo and are awaiting the Dept of Arts and Culture to provide books for the institution to fully operate.		
Description of the Activity	<p><u>ADMINISTRATION</u></p> <p>Since the Molopo area is composed of +-90% of the illiterate group, the strategic function of this service is to cater for and promote the level of literacy in the community..</p> <p><u>STRATEGIC FUNCTIONS</u></p> <p>- To promote reading to school children and adults working in the surrounding farms. This will also assist community members in running their projects and Businesses.</p> <p><u>NUMBER AND COST TO EMPLOYER</u></p> <p>ASS LIBRARIANS</p> <p>COST=</p>	02	

Annual Performance Report 2005/2006

37

Key Performance Area	Performance During the Year, Performance Targets Against Actual Achieved and Plans to Improve Performance	Current
	<p><u>PERFORMANCE TARGET</u></p> <p>Improving the level of literacy in the municipal area by establishing more libraries for the communities.</p> <p><u>ACHIEVEMENTS:</u></p> <p>Two libraries are established already, one in Bray and the other one in Tosca.</p> <p><u>PLANS TO IMPROVE:</u></p> <p>Request the Department to speed up the process of availing books. Taking in the present library staff to a formal orientation.</p>	

CHAPTER 5

5. AUDITED STATEMENTS AND RELATED FINANCIAL INFORMATION

The audited financial statements and the financial statements as at 30 June 2006 hereby attached as in the following section.

REPORT OF THE CHIEF FINANCIAL OFFICER

1 INTRODUCTION

Every effort was made this year to improve on the format, readability and presentation of the Annual Financial Statements for the year ending 30 June 2006. The reader of these financial statements will however notice that these financial statements have still been prepared as to conform to the standards laid down by the Institute of Municipal Treasurers and Accountants in its Code of Accounting Practice (1997) and Report on Published Annual Financial Statements (Second edition - January 1997).

The Annual Financial Statements for the 2006/07 financial year will be prepared in line with the GRAP statements. No effort will be spared in the next financial year to ensure that all financial systems are transformed so as to conform to the GRAP requirements. The most important aspect will be revaluation of all assets per the fixed asset register.

The following major challenges were faced during the 2005/06 financial year:

- a) The implementation of the Municipal Finance Management Act (MFMA) posed the greatest challenge as it has totally transformed financial management in Local Government.
- b) The Molopo Local Municipality has no source of own income and the equitable share allocation is not sufficient to perform all powers and functions as required.
- c) Due to the lack of funding the municipality is unable to appoint officials in key positions and is reliant on assistance from the Bophirima District Municipality to perform its functions.
- d) To a combination of reasons the municipality has been unable to spend all funds for capital and LED projects set aside in the operating and capital budget for the 2005/06 financial year.

The following major successes were achieved during the 2005/06 financial year:

- a) The Operational and Capital Budget for the 2006/07 financial year was adopted by Council on the 15 June 2006.
- b) Unqualified audit opinion for the 2004/05 annual financial statements.
- c) The new SCM Policy of the Municipality was approved for implementation effective 1 July 2006 in line with legislation.

The Finance Department and its staff members are highly committed and motivated to serve the Municipality, and the community to the fullest. All efforts are made to ensure that the efficiency and effectiveness of the Finance Department.

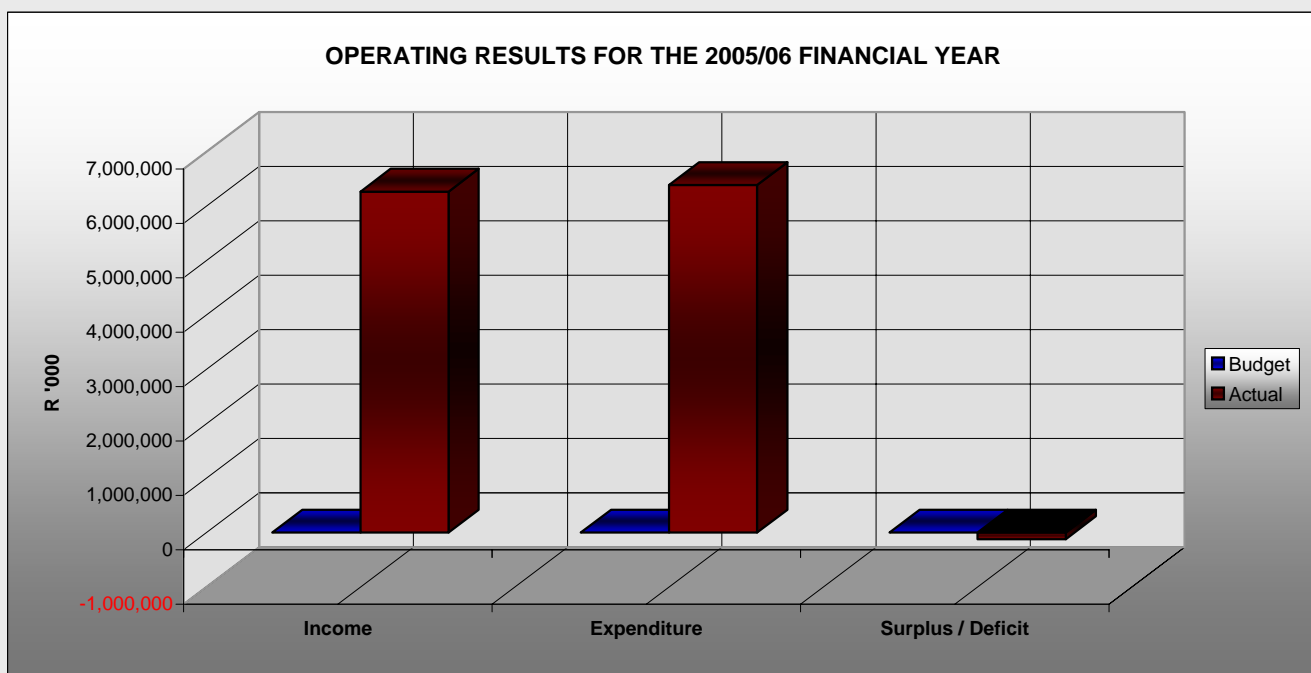
REPORT OF THE CHIEF FINANCIAL OFFICER (Cont)

2 REVIEW OF OPERATING RESULTS

The original operating - and capital budget for the 2005/06 financial year was approved on 15 June 2005. All over expenditures on individual general ledger accounts are funded from savings made from other general ledger accounts and was approved by Council. The budget reflected in these financial statements are as per the adjustments budget approved by Council on 18 May 2006.

2 General

Details of the operating results per department and classification of income and expenditure are included in **Appendices D and E**. The applicable statistics are shown in **Appendix F**. A graphical presentation of the operating results is shown in the graph b



The overall operating results for the year ended 30 June 2006 are as follows:

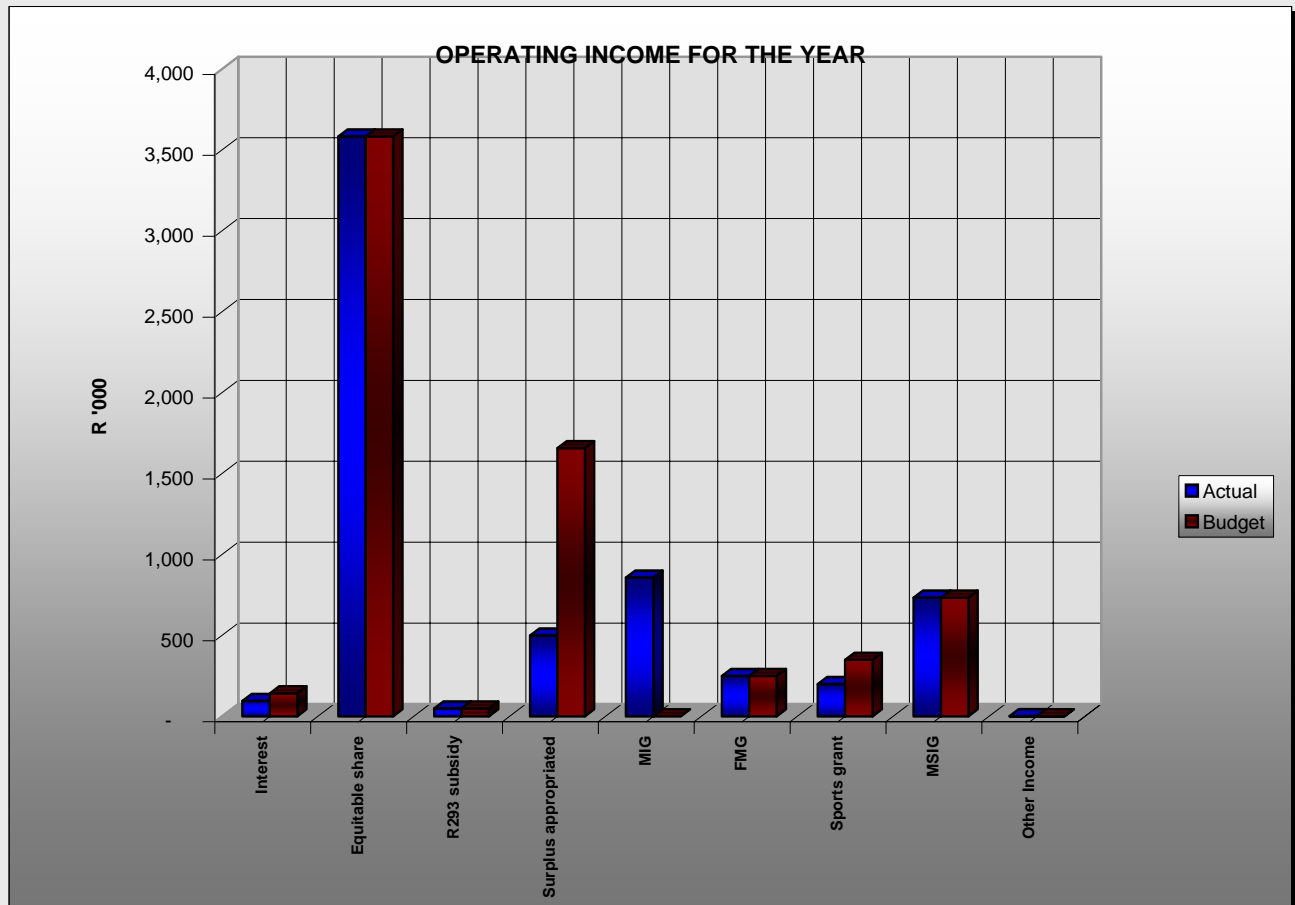
	Actual 2005 R	Actual 2006 R	Variance 2005/2006 R	Budget 2006 R	Variance Actual/Budget R
INCOME					
Operating surplus	1,917,487	2,551,697	33%	0	100%
Operating income for the year	5,859,211	6,272,403	7%	6,768,460	-7%
Closing deficit	0	0	0%	0	0%
	7,776,698	8,824,100	13%	6,768,460	30%
EXPENDITURE					
Opening deficit	0	0	-	0	0%
Operating expenditure for the year	5,203,931	6,391,703	23%	6,768,460	-6%
Sundry transfers	21,070	1,604,286	7514%	0	100%
Closing surplus	2,551,697	828,111	-68%	0	100%
	7,776,698	8,824,100	13%	6,768,460	30%

REPORT OF THE CHIEF FINANCIAL OFFICER (Cont)

2.2 Operating Income for the year

The variance of 7% of the actual operating income over the budgeted operating income of R 6,768,460 is mainly due to the following variances:

INCOME	Actual	Budget	Variance	
	2006 R	2006 R	R	%
Commission Received : Salary Deductions	636	481	155	32%
SDL Grant	1,017	150	867	578%
Equitable Share Allocation	3,584,334	3,584,000	334	0%
Interest Received : Vehicle Loans	4,201	8,500	-4,299	-51%
Interest : ABSA	91,116	87,152	3,964	5%
Interest on Investments	0	46,796	-46,796	-100%
R293 Personnel Subsidy	49,059	49,058	1	0%
Sundry Income	0	100	-100	-100%
Tender Fees	0	100	-100	-100%
Surplus Appropriated	500,000	1,658,123	-1,158,123	-70%
Conditional Grant: MIG	858,041	0	858,041	100%
Conditional Grants: Financial Man Grant	250,000	250,000	0	0%
Conditional Grants: MSIG	734,000	734,000	0	0%
Conditional Grant: Sports and Recreation	200,000	350,000	-150,000	-43%
	6,272,403	6,768,460	-496,057	-7%



REPORT OF THE CHIEF FINANCIAL OFFICER (Cont)

2.3 Operating Expenditure for the year

The variance of 6% of the actual operating expenditure over the budgeted operating expenditure of R6,768,460 is mainly due to the following variances:

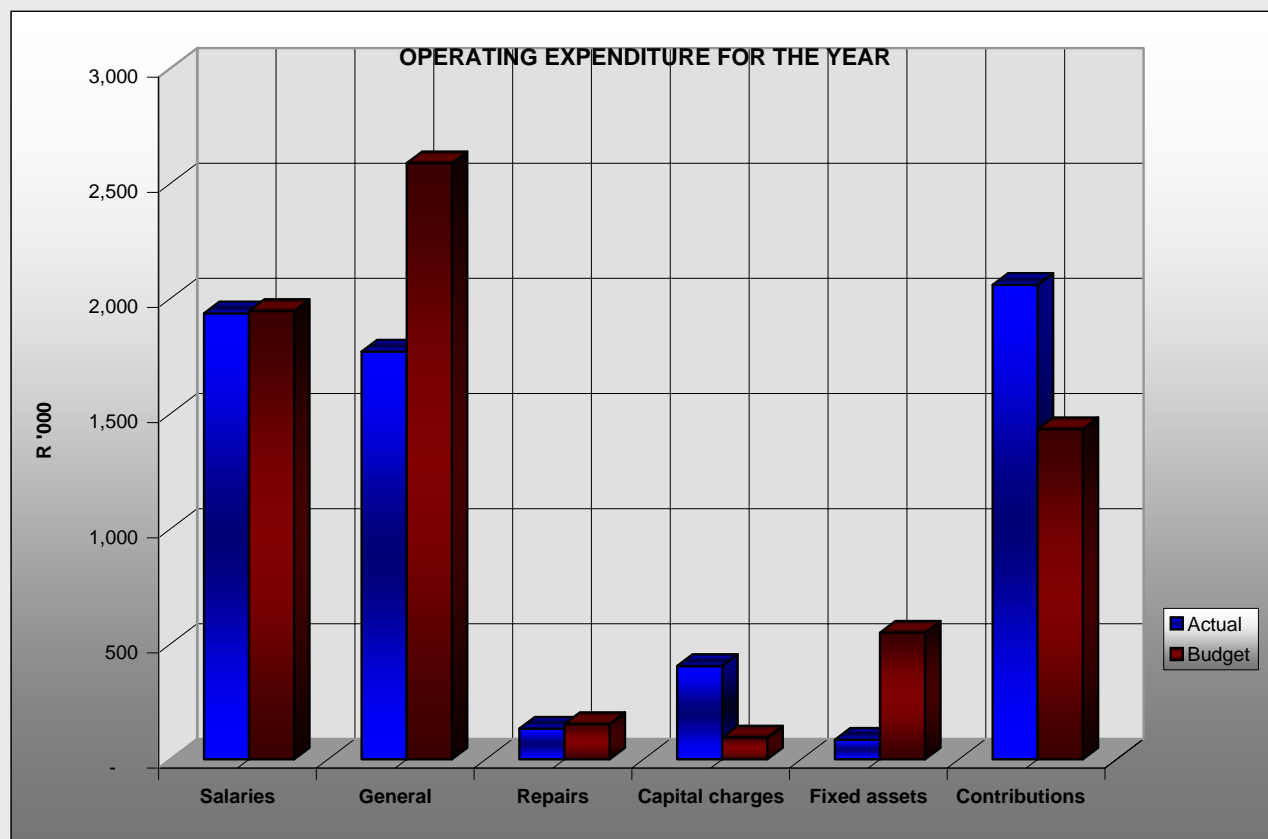
Expenses	Actual	Budget	Variance	
	2006 R	2006 R	R	%
Salaries, wages and allowances	1,936,815	1,947,434	-10,619	-1%
General expenses	1,770,461	2,588,706	-818,245	-32%
Repairs and maintenance	133,394	153,367	-19,973	-13%
Capital Charges	405,301	95,000	310,301	327%
Contributions to fixed assets	85,252	549,950	-464,698	-84%
Contributions	2,060,480	1,434,003	626,477	44%
	6,391,703	6,768,460	-376,757	-6%

2.3.1 Salaries, wages and allowances

The savings on salaries, wages and allowances is due to the fact that not all posts were filled at levels as was budgeted for.

2.3.2 General expenses

The savings on general expenditure was mainly due to the under-expenditure on Local Economic Development projects for the year. These projects will be completed in the 2006/07 financial year.



REPORT OF THE CHIEF FINANCIAL OFFICER (Cont)

3 CAPITAL EXPENDITURE AND FINANCING

The expenditure on fixed assets during the year amounted to R 2,553,595. This is 11% less than the previous year and 53% less than budgeted for. The actual expenditure is as follows:

	Actual 2005 R	Actual 2006 R	Variance 2005/2006 R	Budget 2006 R	Variance Actual/Budget R
Land	0	0	0	0	0
Buildings	0	0	0	3,097,237	3,097,237
Infrastructure	0	0	0	1,096,364	1,096,364
Other fixed assets	2,881,977	2,553,595	-328,382	1,267,653	-1,285,942
	2,881,977	2,553,595	-328,382	5,461,254	2,907,659

Resources used to finance fixed assets were as follows:

	Actual 2005 R	Actual 2006 R	Variance 2005/2006 R	Budget 2006 R	Variance Actual/Budget R
Loans	0	973,804	973,804	1,493,432	519,628
Operating Income	139,545	370,164	230,619	549,953	179,789
Grants and Subsidies	2,742,432	1,209,627	-1,532,805	3,417,869	2,208,242
	2,881,977	2,553,595	-328,382	5,461,254	2,907,659

The main reason for the under expenditure on capital projects is due to the fact that the new municipal offices project (Budget = R2,297,237) and the Bray Community Hall Project (Budget = R800,000) had not commenced at year-end due to a lack of sufficient funding.

A complete stock-take of all assets in the Municipality was performed during February / March 2006 and reconciled to the balances per the fixed asset register and the general ledger.

An audit firm was appointed during April 2005 to implement a computerized bar-coding asset management system for the Municipality. The process was completed during August 2005 with all assets bar-coded, counted and reconciled to the new asset register.

The Municipality will embark on a process of revaluating all assets per the new fixed asset register during the 2006/07 financial year. This process will ensure GRAP compliance of the assets per the financial statements of the 2006/07 financial year,

A complete analysis of capital expenditure (budgeted and actual) per department, classification or service is included in **Appendix C**. More details fixed assets.

4 POST BALANCE SHEET EVENTS

No material litigation is outstanding against the Municipality and no other post balance events have occurred after year-end and up to the date of the completion of these financial statements.

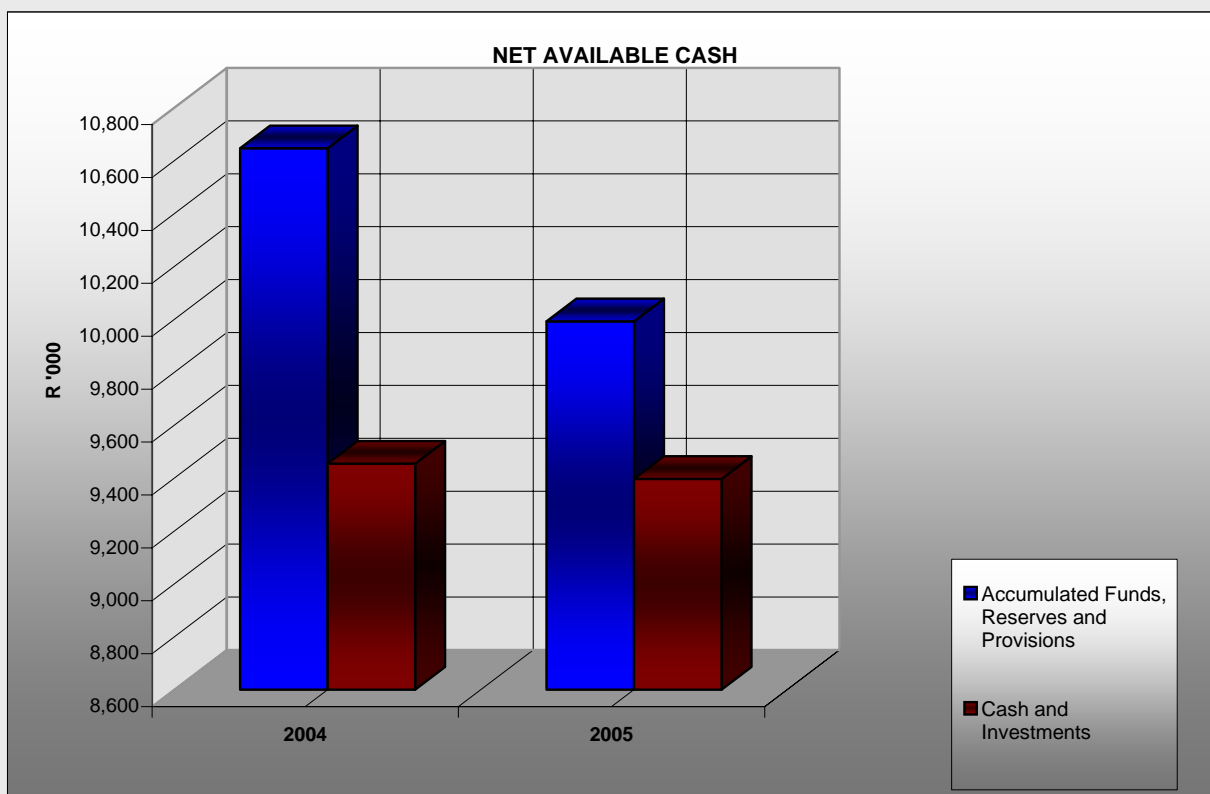
REPORT OF THE CHIEF FINANCIAL OFFICER (Cont)

5 ACCUMULATED FUNDS, RESERVES AND PROVISIONS

Detail information regarding funds, reserves and provisions are disclosed in the **Notes (1, 2, 3 and 4)** and **Appendix A** of the financial statements.

	Actual 2005 R	Actual 2006 R	Variance 2005 / 2006 R	%
Accumulated Funds, Reserves and Provisions				
Statutory funds	2,864,842	3,391,286	526,444	18%
Reserves	180,948	240,226	59,278	33%
Trust funds	4,888,431	5,301,319	412,888	8%
Provisions	160,224	231,373	71,149	44%
Accumulated surplus	2,551,697	828,111	-1,723,586	-68%
	10,646,143	9,992,315	-653,827	-7%
Cash and Investments				
Cash	1,548,763	1,117,125	-431,638	-28%
Investments	7,905,509	8,279,309	373,800	0%
	9,454,272	9,396,434	-57,838	-1%
Net available cash	-1,191,871	-595,881	595,990	-50%

The accumulated funds, reserves and provisions decreased by 5% for the year, whilst the accumulated surplus decreased by 63%



REPORT OF THE CHIEF FINANCIAL OFFICER (Cont)

6 EXPRESSION OF APPRECIATION

I am grateful to the Mayor, the Councillors, the Municipal Manager, all officials for the support they have given to the Finance Department during the 2005/06 financial year.

A special word of appreciation to the staff of the Finance Department for all the hard work, sacrifices and concentrated efforts during the financial year, which accumulated into these annual financial statements.



**D.M. THORNHILL
CHIEF FINANCIAL OFFICER
31 AUGUST 2006**

ACCOUNTING POLICIES

1. Basis of Presentation

- 1.1 These financial statements have been prepared as to conform to the standards laid down by the Institute of Municipal Treasurers and Accountants in its Code of Accounting Practice (1997) and Report on Published Annual Financial Statements (Second edition - January 1997).
- 1.2 The financial statements are on the historical cost basis, adjusted for fixed assets as more fully detailed in the Accounting Policy note 3. The accounting policies are consistent with those applied in the previous year, except where otherwise indicated.
- 1.3 The financial statements are prepared on the accrual basis as stated:
 - Income is accrued when measurable and available to finance operations. Certain direct income is accrued when received.
 - Expenditure is accrued in the year it is incurred.

2. Consolidation

The financial statements include the Rates and General Services, Trading Services and the different funds and reserves. No inter departmental charges are charged during this period.

3. Fixed Assets

- 3.1 Fixed Assets are stated:
 - at historical cost, or
 - at valuation - based on the market price at the date of acquisition, where the assets have been detailed by a grant or a donation.

While they are in existence and fit for use, except in the case of bulk assets which are written off at the end of their estimated life as determined by the Chief Financial Officer.
- 3.2 Depreciation

The balance shown against the heading "Loans Redeemed and Other Capital Receipts" in the notes to the balance sheet is tantamount to a provision for depreciation, however certain structural differences do exist. By way of this "Provision" assets are written down over their estimated useful lives. Apart from advances from the various council funds, assets may also be acquired through:

 - Appropriations from income, where the full cost of the asset forms an immediate and direct charge against the operating income, and therefore it is unnecessary to make any further provision for depreciation.
 - Grant donation, where the amount representing the value of such grant or donation is immediately credited to the "Loans Redeemed and Other Capital Receipts" account.
- 3.3 All the net proceeds from the sale of fixed assets are credited to the Capital Development Fund.
- 3.4 Fixed Assets are financed from different sources, including external loans, operating income, endowments and internal advances. These loans and advances are repaid within the estimated lives of the assets required from such loans or advances. Interest is charged to the service concerned at the ruling interest rate applicable at the time the advance is made.

ACCOUNTING POLICIES

4. Inventory

Inventory is valued at the lower of cost, determined on the weighted average basis, and net realisable value.

5. Funds and Reserves

5.1 The Capital Development Fund

A fund is maintained from the nett proceeds from the sale of fixed assets and contributions from income in order to be utilized for capital developments.

5.2 Scholarship Bursary Reserve

A reserve is maintained to assist people from the municipal area to further their studies at tertiary institutions.

6. Retirement Benefits

Molopo Local Municipality and its employees contribute to the Cape Joint Retirement Fund and Molopo Local Municipality and its councillors contribute to the Municipal Councillors Pension Fund which provides retirement benefits to such employees and councillors.

The retirement benefit plan is subject to the Pension Fund Act and is a Defined Contribution Fund. Current contributions are charged against operating income on the basis of current salaries.

Full actuarial valuations are performed on request.

7. Surplus and Deficits

Any surpluses or deficits arising from the operation of the Water Services are transferred to Rates and General Services.

8. Leased Assets

Fixed Assets held under finance leases are capitalised. Such assets are effectively amortised over the term of the lease agreement.

Leased finance charges are allocated to accounting periods over the duration of the leases, by the effective interest rate method, which reflects the extent and cost of lease finance utilised in each accounting period.

All other leases are treated as operating leases and the relevant rentals are charged to the operating account in a systematic manner related to the period of use of the assets concerned.

9. Investments

Investments are shown at the lower of cost or market value if a permanent decline in the value occurred, and are invested per Circular C/46 of 1994, issued by the Provincial Administration, Community Development Branch.

10. Administrative and Financial Function

These functions are performed for the local municipality on a cost basis, Bophirima District Municipality.

BALANCE SHEET AT 30 JUNE 2006

	Note	2006 R	2005 R
CAPITAL EMPLOYED			
FUNDS AND RESERVES		3,631,512	3,045,791
Statutory Funds	1	3,391,286	2,864,842
Reserves	2	240,226	180,949
ACCUMULATED SURPLUS	15	828,110	2,551,697
		4,459,622	5,597,488
TRUST FUNDS	3	5,301,319	4,888,430
		9,760,941	10,485,918
EMPLOYMENT OF CAPITAL			
FIXED ASSETS	5	925,299	289,945
INVESTMENTS	6	-	-
LONG-TERM DEBTORS	7	-	27,042
		925,299	316,987
NET CURRENT ASSETS		8,835,642	10,168,931
CURRENT ASSETS		9,861,313	10,379,464
Inventory	8	-	-
Debtors	9	437,837	886,094
Bank and Cash		1,117,125	1,548,763
Short-term investments	6	8,279,309	7,905,509
Short-term portion of long-term debtors	7	27,042	39,098
CURRENT LIABILITIES		1,025,671	210,533
Provisions	4	231,373	160,224
Creditors	10	794,298	50,309
		9,760,941	10,485,918

INCOME STATEMENT FOR THE YEAR ENDED 30 JUNE 2006

Service	Actual Income	Actual Expenditure	2006 Surplus / (Deficit)	Original Budget	Actual Income	2005 Actual Expenditure	Surplus / (Deficit)
	R	R	R	R	R	R	R
RATES AND GENERAL SERVICES	6,272,403	6,082,154	190,249	311,409	5,859,211	4,951,327	907,884
Community services	6,272,403	6,082,132	190,271	311,909	5,859,211	4,950,910	908,301
Subsidised services	-	-	-	-	-	-	-
Economic services	-	22	(22)	(500)	-	417	(417)
TRADING SERVICES	-	309,549	(309,549)	(311,409)	-	252,604	(252,604)
TOTAL	<u>6,272,403</u>	<u>6,391,703</u>	(119,300)	<u>0</u>	<u>5,859,211</u>	<u>5,203,931</u>	655,280
Appropriations for the year (Refer to Note 15)			(1,604,286)				(21,070)
Net surplus / (deficit) for the year			(1,723,586)				634,210
Accumulated surplus / (deficit) at the beginning of the year			2,551,697				1,917,487
ACCUMULATED SURPLUS / (DEFICIT) AT THE END OF THE YEAR			<u>828,111</u>				<u>2,551,697</u>

CASH FLOW STATEMENT FOR THE YEAR ENDED 30 JUNE 2006

	Note	2006 R	2005 R
CASH RETAINED FROM OPERATING ACTIVITIES		2,495,757	4,891,707
Cash generated by operations	16	(414,329)	1,816,188
Investment income	14	469,117	433,905
(Increase) / decrease in working capital	17	1,231,343	(100,817)
		1,286,130	2,149,276
Less: External interest paid		-	-
Cash available from operations		1,286,130	2,149,276
Cash contributions from the Public and Government		1,209,627	2,742,431
Net proceeds on disposal of fixed assets		-	-
CASH UTILISED IN INVESTING ACTIVITIES			
Investments in fixed assets		(2,553,595)	(2,881,977)
NET CASH FLOW		(57,838)	2,009,730
CASH EFFECTS OF FINANCING ACTIVITIES			
Increase / (decrease) in Long-term loans		-	-
(Increase) / decrease in cash investments	18	(373,800)	(1,529,687)
(Increase) / decrease in cash	19	431,638	(480,043)
		57,838	(2,009,730)

NOTES TO THE FINANCIAL STATEMENTS FOR THE YEAR ENDED 30 JUNE 2006

Description		2006 R	2005 R
1	STATUTORY FUNDS		
	Capital Development Fund	3,391,286	2,864,842
	(Refer to Appendix A for more details)	3,391,286	2,864,842
2	RESERVES		
	Scholarship Bursary Reserve	240,226	180,948
	(Refer to Appendix A for more details)	240,226	180,948
3	TRUST FUNDS		
	Local Government Development Fund	2,002,230	1,912,899
	Financial Assistance Grant	35,679	34,095
	Municipal Systems Improvement Grant	858,566	120,522
	Transition Grant : Tax Capacity	378,916	362,010
	Free Basic Services	117,428	112,078
	Transitional Grant	723,363	690,384
	Charcoal Project	111,026	106,047
	CMIP Project	173,672	360,509
	Dept of Sport Grant	118,791	939,392
	Financial Management Grant	432,298	250,493
	Library Fund	348,150	-
	Molopo Social Club	1,200	-
	(Refer to Appendix A for more details)	5,301,319	4,888,430
4	PROVISIONS		
	Audit Costs	80,000	51,167
	Leave Pay	151,373	109,058
		231,373	160,224
5	FIXED ASSETS		
	Fixed assets at the beginning of the year	4,930,216	2,048,239
	Capital expenditure during the year	2,553,595	2,881,977
	Less: Assets written-off or disposed of during the year	(770,089)	-
	Total fixed assets	6,713,722	4,930,216
	Less: Loans redeemed and other capital receipts	(5,788,424)	(4,640,271)
	Loans redeemed (Capital development fund)	48,507	96,977
	Contributions from operating income	1,305,723	935,559
	Grants and subsidies	4,434,194	3,607,735
	Nett Fixed Assets	925,299	289,945

NOTES TO THE FINANCIAL STATEMENTS FOR THE YEAR ENDED 30 JUNE 2006 (Cont)

Description	2006 R	2005 R
6 INVESTMENTS		
Unlisted:		
Short-term deposits and Call deposits	8,279,309	7,905,509
Total investments	8,279,309	7,905,509
Less: Short-term portion of investments	(8,279,309)	(7,905,509)
Nett investments	-	-
Management's valuation of unlisted investments	8,279,309	7,905,509
Average rate of return on investments	4.62%	4.60%
<p>The Local Government Transition Act, 1993 (Act 209 of 1993) as amended requires local authorities to invest funds, which are not immmediately required, with prescribed institutions and the period should be such that it will not be necessary to borrow funds against the investment at a penalty interest rate to meet commitments. No investments have been written-off during the year. No investments have been pledged as security for any funding facilities of the Municipality.</p>		
7 LONG-TERM DEBTORS		
Motor Vehicle Loans	27,042	66,140
Local Municipality Loans	-	-
	27,042	66,140
Less: Long-term portion of long-term debtors transferred to current assets	(27,042)	(39,098)
	(0)	27,042
8 INVENTORY		
No inventory is held by the Municipality	-	-
9 DEBTORS		
Consumer debtors	-	-
Plus: Other current debtors	1,269,149	926,094
	1,269,149	926,094
Less: Provision for bad debts	(831,312)	(40,000)
	437,837	886,094

Sundry debtor and creditor balances totalling a net debit balance of R 5,918.49 (2005 - R13,355) were written off as bad debts to the appropriation account for the year. This represents 0.0% (2005 - 0.20%) of the total operating income for the year. Days outstanding in debtors amount to 60 days (2005 - 53 days).

NOTES TO THE FINANCIAL STATEMENTS FOR THE YEAR ENDED 30 JUNE 2006 (Cont)

Description		2006 R	2005 R
10	CREDITORS		
	Trade creditors	-	-
	Other Creditors	794,296	50,309
		794,298	50,309
11	DEPOSITS		
	Consumer Deposits	-	-
		-	-
12	COUNCILLORS' REMUNERATION		
	Mayor's allowance	137,086	143,445
	Councillors' allowance	217,021	243,512
	Councillors' pension contributions	26,744	15,641
		380,852	402,598
13	AUDITOR'S REMUNERATION		
	Audit fees		
	- Current year	80,000	51,167
	- Under / (Over) provision prior year	99,436	(17,104)
		179,436	34,063
14	FINANCE TRANSACTIONS		
	Total external interest earned and paid:		
	- Interest earned	469,117	433,905
	- Interest paid	-	-
	Capital charges debited to operating account:		
	Interest		
	- External	-	-
	- Internal	66,851	34,001
	Redemption		
	- External	-	-
	- Internal	338,450	66,215
	Deferred charges written-off	-	-
		405,301	100,216

NOTES TO THE FINANCIAL STATEMENTS FOR THE YEAR ENDED 30 JUNE 2006 (Cont)

Description		2006 R	2005 R
15	APPROPRIATIONS		
15.1	Appropriation Account		
	Accumulated surplus / (deficit) at the beginning of the year	2,551,697	1,917,487
	Gross operating surplus for the year	-119,300	655,280
	Appropriations for the year:	-1,604,286	-21,070
	- Prior year adjustments	-307,056	32,285
	- Surplus appropriated	-500,000	0
	- Sundry balances write-off	0	-13,355
	- Provision for bad debts	-797,230	-40,000
	Accumulated surplus / (deficit) at the end of the year	828,110	2,551,697
15.2	Operating account		
	Capital expenditure	85,252	139,545
	Contributions to:	2,060,480	1,925,490
	- Capital development fund	0	0
	- Provisions and Reserves	100,000	134,063
	- Other governmental conditional grants	1,960,480	1,791,427
		2,145,732	2,065,035
16	CASH GENERATED BY OPERATIONS		
	Surplus / (deficit) for the year	-119,300	655,280
	Adjustments in respect of previous year's operating transactions	-1,604,286	-21,070
	Appropriations charged against income	2,610,080	2,099,098
	- Capital development fund	0	0
	- Fixed assets (Capital expenditure)	370,164	139,545
	- Provisions and reserves	279,436	168,126
	- Other governmental conditional grants	1,960,480	1,791,427
	Capital charges:		
	Interest paid:		
	- to internal funds	66,851	34,001
	- to external funds	0	0
	Redemption:		
	- of internal advances	338,450	66,215
	- of external loans	0	0
	Deferred charges written-off	0	0
	Investment income (operating account)	-95,316	-104,130
	Non-operating income:		
	- Nett income from reserves	341,573	0
	- Nett income from trust funds	351,200	0
	Non-operating expenditure:		
	- Expenditure charged against provisions and reserves	-156,857	-43,896
	- Expenditure charged against trust funds	-2,146,725	-869,310
		-414,329	1,816,188

NOTES TO THE FINANCIAL STATEMENTS FOR THE YEAR ENDED 30 JUNE 2006 (Cont)

Description		2006 R	2005 R
17	(INCREASE) / DECREASE IN WORKING CAPITAL		
	(Increase) / decrease in inventory	-	
	(Increase) / decrease in debtors	448,257	(114,597)
	(Increase) / decrease in long-term debtors	39,098	36,848
	Increase / (decrease) in creditors	743,988	(23,068)
	Increase / (decrease) in deposits	-	-
		1,231,343	(100,817)
18	(INCREASE) / DECREASE IN EXTERNAL CASH INVESTMENTS		
	Investment realised	-	439,961
	Investment made	(373,800)	(1,969,648)
		(373,800)	(1,529,687)
19	(INCREASE) / DECREASE IN CASH ON HAND		
	Cash balance at the beginning of the year	1,548,763	1,068,720
	Less: Cash balance at the end of the year	(1,117,125)	(1,548,763)
		431,638	(480,043)
20	RETIREMENT BENEFITS		
	Most employees and councillors of the Municipality are members of one of the following funds. The Municipality's contributions to these funds are reflected as a charge against income in the financial statements.		
20.1	Cape Joint Retirement Pension Fund		
	The last actuarial valuation of the Cape Joint Retirement Pension Fund was done at 30 June 2003. This valuation indicated that the fund is in a sound financial condition at the valuation date.		
20.2	Government Employees Pension Fund		
	The Government Employees Pension Fund is a defined benefit arrangement and is governed by the Government Employees Pension Fund Law, 1996 in terms of Proclamation 21 of 19 April 1996. Actuarial valuations are performed every 3 years. The last actuarial valuation of the Government Employees Pension Fund was done at 31 March 2001. This valuation indicated that the fund is in a financially sound position yet funded at a level of 98.1%.		
20.3	Municipal Councillors Pension Fund		
	The Councillors of the Municipality are members of the Municipal Councillors Pension Fund which is a defined contribution fund and governed by the Pension Funds Act of 1956. The fund was established in 1988 and an actuarial valuation is carried out every 3 years. The last actuarial valuation of the Municipal Councillors Pension Fund was done at 30 June 2003. This valuation indicated that the fund is in a financially sound position and funded at a level of 107.1%.		

NOTES TO THE FINANCIAL STATEMENTS FOR THE YEAR ENDED 30 JUNE 2006 (Cont)

Description		2006 R	2005 R
21	CONTINGENT LIABILITIES AND CONTRACTUAL OBLIGATIONS		
21.1	Leave pay outstanding		
	Leave pay outstanding as at 30 June 2006 amounts to R151,373 (2005 - R109,058), whereas the provision amounts to R151,373 (2005 - R109,058). It is the policy of the Council to carry a provision of 100% of the outstanding amount.		
22	CAPITAL COMMITMENTS		
	Commitments in respect of capital expenditure:		
	- Approved and contracted for	-	684,307
	- Approved but not yet contracted for	4,127,437	6,722,491
		4,127,437	7,406,798
	This expenditure will be financed from:		
	- Internal sources	1,460,200	1,629,793
	- External sources	2,667,237	5,777,005
	Other sources	-	3,534,768
	Provincial Government	2,667,237	2,242,237
		4,127,437	7,406,798
23	CAPITAL DEVELOPMENT FUND		
	Outstanding advances to borrowing services		
	(Interest rate - 10% (2004 -10%))		
	Accumulated funds	3,391,286	2,864,842
	Less: Internal investments	(925,297)	(289,944)
	(Refer to Appendix B for more details)	2,465,990	2,574,898
24	TRANSACTIONS WITH RELATED PARTIES		
	Transactions entered into with Tosca Trust - Councillor F.G. Louwrens		
	Rent	36,900	
	Shop	6,845	
	Fuel	17,541	
	Guesthouse - Accommodation	5,336	
		66,622	

APPENDIX A

STATUTORY FUNDS, RESERVES AND TRUST FUNDS

	Balance at 30/06/2005	Contributions during the year	Interest on investments	Other income	Expenditure during the year Operating	Capital	Balance at 30/06/2006
	R	R	R	R	R	R	R
STATUTORY FUNDS							
Capital development fund	2,864,842	0	184,871	341,573	0	0	3,391,286
TOTAL STATUTORY FUNDS	2,864,842	0	184,871	341,573	0	0	3,391,286
RESERVES							
Scholarship Bursary Reserve	180,948	100,000	7,847	0	48,570	0	240,226
TOTAL RESERVES	180,948	100,000	7,847	0	48,570	0	240,226
TRUST FUNDS							
Local Government Development Fund	1,912,899	0	89,330	0	0	0	2,002,230
Financial Assistance Grant	34,095	0	1,585	0	0	0	35,679
Municipal Systems Improvement Grant	120,522	734,000	5,754	0	1,710	0	858,566
Integrated Development Plan Grant	0			0	0	0	0
Transition Grant : Governance	0	0		0	0	0	0
Transition Grant : Tax Capacity	362,010	0	16,906	0	0	0	378,916
Free Basic Services	112,078	0	5,351	0	0	0	117,428
Transitional Grant	690,384	0	32,979	0	0	0	723,363
Charcoal Project	106,047	0	4,979	0	0	0	111,027
CMIP Projects	360,509	858,041	28,387	0	0	1,073,265	173,672
Development of Sports Grant	939,392	0	38,069	0	350,000	508,670	118,791
Financial Management Grant	250,493	250,000	11,822	0	80,018	0	432,298
Library Fund	0	118,439	12,772	350,000	33,187	99,874	348,150
Molopo Social Club	0	0	0	1,200	0	0	1,200
TOTAL TRUST FUNDS	4,888,431	1,960,480	247,933	351,200	464,915	1,681,809	5,301,320

APPENDIX B INTERNAL ADVANCES

			Balance at 30/06/2005	Received during the year	Redeemed or written-off during the year	Balance at 30/06/2006
			R	R	R	R
INTERNAL ADVANCES						
Capital Development Fund	Loan Number	Redeemable				
Nissan Hardbody (FDL297NW)	001		152,513	-	152,513	-
Toyota Hi-Ace (FDM921NW)	002		137,430	-	137,430	-
Toyota Hilux - (FNB 973 NW)	003		-	236,990	18,842	218,148
Toyota Hilux - (FNB 978 NW)	004		-	231,050	18,370	212,681
Toyota Hilux - (FNB 966 NW)	005		-	142,072	11,295	130,776
Loan 006: Toyota Hilux 2.0 VVTI SRX	006		-	132,642	-	132,642
Loan 007: Toyota Hilux 2.7 VVTI D/C	007		-	231,050	-	231,050
			289,944	973,803	338,450	925,297

APPENDIX C ANALYSIS OF FIXED ASSETS

SERVICE	Expenditure 2005	Budget 2006	Balance at 30/06/2005	Expenditure during the year	Written-off, transferred, redeemed or disposed during the year	Balance at 30/06/2006
	R	R	R	R	R	R
RATES AND GENERAL SERVICES						
Community Services	2,881,977	5,039,589	4,360,084	2,553,595	(770,089)	6,143,590
Public Works	2,880,329	2,039,110	3,011,957	1,579,792	-	4,591,749
Town secreteriat and treasurer	1,648	3,000,479	1,348,127	973,803	(770,089)	1,551,841
Economic Services	-	-	-	-	-	-
Cleansing	-	-	-	-	-	-
TRADING SERVICES	-	421,665	570,132	-	-	570,132
Water	-	421,665	570,132	-	-	570,132
	2,881,977	5,461,254	4,930,216	2,553,595	(770,089)	6,713,722
LOANS REDEEMED AND OTHER CAPITAL RECEIPTS			(4,640,271)	(1,681,632)	533,479	(5,788,424)
Loans redeemed (Capital development fund)			96,977	101,841	(150,311)	48,507
Contributions from operating income			935,559	370,164	-	1,305,723
Grants and subsidies			3,607,735	1,209,627	(383,168)	4,434,194
Revaluation of assets						
			289,945	871,963	(236,610)	925,299

APPENDIX D

ANALYSIS OF OPERATING INCOME AND EXPENDITURE FOR THE YEAR ENDED 30 JUNE 2006

	2006	2005
	Actual R	Actual R
INCOME		
Grants and Subsidies:	5,675,434	5,747,189
- Central government	5,475,434	4,597,189
- Provincial government	200,000	1,150,000
Operating Income	596,969	112,022
- Sale of water	-	-
- Regional services council levies	-	-
- Other	596,969	112,022
TOTAL INCOME	6,272,403	5,859,211
EXPENDITURE		
Salaries, wages and allowances	1,936,815	1,611,776
General expenses:	1,770,461	1,313,962
- Purchase of water	-	-
- Other general expenses	1,770,461	1,313,962
Repairs and maintenance	133,394	147,005
Capital charges	405,301	100,216
Contributions to fixed assets	85,252	139,545
Contributions	2,060,480	1,891,427
GROSS EXPENDITURE	6,391,703	5,203,931
Less: Amounts charged out	-	-
NETT EXPENDITURE	6,391,703	5,203,931
NETT SURPLUS / (DEFICIT)		
Nett Surplus for the year	(119,300)	655,280
Appropriations for the year (Refer to Note 15)	(1,604,286)	(21,070)
Accumulated surplus / (deficit) at beginning of the year	(1,723,586)	634,210
	2,551,697	1,917,487
Accumulated surplus / (deficit) at end of the year	828,111	2,551,697

APPENDIX E

DETAILED INCOME STATEMENT FOR THE YEAR ENDED 30 JUNE 2006

Service	2006			2005			
	Actual Income	Actual Expenditure	Surplus / (Deficit)	Budget Surplus / (Deficit)	Actual Income	Actual Expenditure	Surplus / (Deficit)
	R	R	R	R	R	R	R
RATES AND GENERAL SERVICES	6,272,403	6,082,154	190,249	311,409	5,859,211	4,951,327	907,884
Community Services	6,272,403	6,082,132	190,271	311,909	5,859,211	4,950,910	908,301
Assessment Rates					-	-	-
Council's General Expenses	-	3,856,965	(3,856,965)	(4,494,601)	-	2,975,435	(2,975,435)
Health Services	-	-	-	(3,000)	-	790	(790)
Public Works	858,041	85,252	772,789	(549,950)	391,427	137,897	253,530
Town Secretarial and Treasurer	5,414,362	2,139,916	3,274,446	5,359,460	5,467,784	1,836,788	3,630,996
Subsidised Services	-	-	-	-	-	-	-
Libraries							
Economic services	-	22	(22)	(500)	-	417	(417)
Cleaning		22	(22)	(500)	-	417	(417)
TRADING SERVICES	-	309,549	(309,549)	(311,409)	-	252,604	(252,604)
Water		309,549	(309,549)	(311,409)	-	252,604	(252,604)
TOTAL	6,272,403	6,391,703	(119,300)	-	5,859,211	5,203,931	655,280
Appropriations for the year (Refer to Note 15)			(1,604,286)				(21,070)
Net surplus / (deficit) for the year			(1,723,587)				634,210
Accumulated surplus / (deficit) at the beginning of the year			2,551,697				1,917,487
ACCUMULATED SURPLUS / (DEFICIT) AT THE END OF THE YEAR			828,110				2,551,697

APPENDIX F STATISTICAL INFORMATION

		2006	2005
1	GENERAL STATISTICS		
	a) Population	11,600	11,600
	b) Number of employees in service	16	17

APPENDIX G

DISCLOSURE PER SECTION 124 & 125 OF THE MFMA

SECTION 124

Subsection (1)(a)

The salaries, allowances and benefits of political office-bearers and councillors of the municipality, whether financial or in kind are reflected per **Note 12**.

Statement by Accounting Officer in terms of Section 124(1)(a) of the MFMA

The salaries, allowances and benefits per **Note 12** of the annual financial statements are within the upper limits of the framework envisaged in section 219 of the Constitution.

The amounts paid to the related party (Councillor) are disclosed as per **NOTE 24**



MUNICIPAL MANAGER
31 August 2006

Subsection (1)(b)

No arrears are outstanding from any councillor to the municipality for rates or services.

Subsection (1)(c)

Salaries, allowances and benefits of Municipal Manager, CFO and Management	Salaries	Allowances (Including leave Days Sold)	Performance Bonus	Company Contributions	Total
	R	R	R	R	R
Municipal Manager	204,803	178,056	-	44,708	427,567
	<u>204,803</u>	<u>178,056</u>	<u>-</u>	<u>44,708</u>	<u>427,567</u>

Due to financial constraints no Section 57 Managers have been appointed. Management services from the Bophirima District Municipality is utilised.

Subsection (2)(a) + (b)

Not applicable - Not municipal entity.

SECTION 125**Subsection (1)(a)**

Not applicable - no municipal entities under the sole or shared control of the municipality during the financial year.

Subsection (1)(b)

No contributions to organised local government for the financial year.

Subsection (1)(c)

	Total Amounts Paid R	Amounts outstanding at Year-End (- Dr/Cr) R
Audit Fees	150,602	80,000
Taxes		
- PAYE	178,784	-
- VAT	-	(306,697)
Levies		
- UIF	10,831	-
- SDL	15,504	-
Duties	-	-
Pension fund contributions	181,448	-
Medical aid contributions	53,874	-
	591,044	(226,697)

Subsection (2)(a)(i) + (ii)

Bank accounts held	Opening balance R	Closing balance R
ABSA (Current Account)	1,548,263	1,119,716
	1,548,263	1,119,716

Subsection (2)(b)**Summary of Investments****Closing
balance
R****MSI GRANT INVESTMENT**

ABSA - 09095211992

126,276

TAX CAPACITY GRANT INVESTMENT

ABSA - 09095211853

378,916

FREE BASIC SERVICES INVESTMENTS

ABSA - 090952D11722

117,428

LOCAL GOVERNMENT DEVELOPMENT FUND

ABSA - 9095212223

2,002,230

FINANCIAL ASSISTANCE GRANT

ABSA - 09095212427

35,679

CAPITAL DEVELOPMENT FUND INVESTMENTS

ABSA - 9101972064

2,592,702

SCHOLARSHIP BURSARY RESERVE INVESTMENT

ABSA - 9119531373

172,129

TRANSITIONAL FUND INVESTMENTS

ABSA - 9119531975

723,363

CHARCOAL PROJECT INVESTMENT

ABSA - 9119532400

111,027

CMIP INVESTMENT

ABSA - 9119534119

622,645

SPORTS GRANT

ABSA - 9123579024

771,826

FINANCIAL MANAGEMENT GRANT INVESTMENT

ABSA - 9141990078

262,316

LIBRARY FUND

Absa - 9141923695

362,772

8,279,309**Subsection (2)(c)**

Particulars of any contingent liabilities of the municipality as at the end of the financial year are as per **Note 21**.

Subsection (2)(d)

- i) No material losses or any material irregular or fruitless and wasteful expenditures. No material unauthorized
- ii) No criminal or disciplinary steps taken as a result of losses from (i) above.
- iii) No material losses recovered or written-off.

Subsection (2)(e)

No known material non-compliance of the MFMA had taken place during the year.

Subsection (2)(f)

No other matters currently prescribed.

**REPORT OF THE AUDITOR GENERAL TO THE MEMBERS OF
THE COUNCIL ON THE FINANCIAL STATEMENTS OF
MOLOPO LOCAL MUNICIPALITY FOR THE YEAR ENDED
30 JUNE 2006**

1. AUDIT ASSIGNMENT

The financial statements as set out on pages to, for the year ended 30 June 2006, have been audited in terms of section 188 of the Constitution of the Republic of South Africa, 1996, read with sections 4 and 20 of the Public Audit Act, 2004 (Act No. 25 of 2004) and section 126 of the Municipal Finance Management Act, 2003 (Act No. 56 of 2003) These financial statements are the responsibility of the municipal manager. My responsibility is to express an opinion on these financial statements, based on the audit.

2. SCOPE

The audit was conducted in accordance with the International Standards on Auditing read with *General Notice 1512 of 2006*, issued in *Government Gazette* no. 29326 of 27 October 2006. Those standards require that I plan and perform the audit to obtain reasonable assurance that the financial statements are free of material misstatement.

An audit includes:

- examining, on a test basis, evidence supporting the amounts and disclosures in the financial statements
- assessing the accounting principles used and significant estimates made by management
- evaluating the overall financial statement presentation.

I believe that the audit provides a reasonable basis for my opinion.

3. BASIS OF ACCOUNTING

The municipality's policy is to prepare the financial statements on the entity specific basis of accounting as described in paragraph 1.1 of the accounting policies to the financial statements.

4. AUDIT OPINION

In my opinion, the financial statements have been prepared, in all material respects, in accordance with the basis of accounting described in paragraph 1.1 of the accounting policies to the financial statements and in the manner required by the MFMA.

5. EMPHASIS OF MATTER

Without qualifying the audit opinion, attention is drawn to the following matter:

5.1 Certain control weaknesses existed relating to the updating of the leave register and the asset register, the control over the use of council vehicles and the approval of overtime.

6. APPRECIATION

The assistance rendered by the staff of Molopo Local Municipality and Bophirima District Municipality during the audit is sincerely appreciated.



AJ Grobler for Auditor-General

Rustenburg

28 November 2006



A U D I T O R - G E N E R A L

REPORT OF THE AUDITOR-GENERAL TO THE COUNCIL ON FACTUAL FINDINGS ON PERFORMANCE MEASUREMENT AT MOLOPO LOCAL MUNICIPALITY FOR THE YEAR ENDED 30 JUNE 2006

1. ASSIGNMENT

The compilation, presentation and publishing of performance measurements [as included on pages.....to.... of this annual report] and the implementation, management and internal control of supporting systems, are the responsibility of the accounting officer.

As required by section 45(b) of the Local Government: Municipal Systems Act, 2000 (Act No. 32 of 2000) my responsibility is to provide an assessment of the controls implemented by the accounting officer to develop and manage the municipality's performance management system, my role is not to assess or comment on the municipality's actual performance .

2. NATURE AND SCOPE

I have performed the procedures agreed upon and described below regarding the performance measurement system of Molopo Local Municipality. The assignment was undertaken in accordance with the International Standard on Related Services (ISRS 4400) applicable to agreed upon procedures engagements.

The procedures were performed solely to evaluate the controls implemented and managed by the accounting officer regarding the municipality's performance measurement system against the criteria set out in:

- chapter 6 of the Municipal Systems Act, 2000;
- the Local Government: Municipal Planning and Performance Management Regulations, 2001 (No. R. 796)

The procedures performed during our assignment were based on the high-level overview checklist completed by the accounting officer and included a review of the following aspects:

1. Development of an integrated development plan
2. Development of a performance management system
3. Development and implementation of key performance indicators
4. Setting of targets for key performance indicators
5. Actual service delivery process
6. Internal monitoring of performance measurements
7. Internal control of the performance management system
8. Performance measurement and reporting
9. Revision of strategies and objectives

3. FACTUAL FINDINGS

I report my findings below:

3.1 Development of the integrated development plan

- 3.1.1 A formalised process was adopted for the development of the integrated development plan (IDP) for the 2005-06 financial year.
- 3.1.2 The adoption, implementation and disclosure of the IDP were in accordance with legal requirements.
- 3.1.3 The IDP included the essential characteristics required in the legislation and guidelines.
- 3.1.4 The IDP has formed the policy framework and general basis of the annual budget.
- 3.1.5 It could not be established whether a copy of the amended IDP was submitted to the MEC for Local Government in the province as required by section 32(1) of the Municipal Systems Act.

3.2 Development and implementation of a performance management system

- 3.2.1 It could not be established whether the performance management systems (PMS) of the municipality were approved and adequately implemented for the entire year under review as the PMS Framework was adopted by council for the first time on 15 June 2006.
- 3.2.2 It could not be established whether the community forum was consulted during the development or review of the PMS Framework as required by section 42 of the Municipal Systems Act.

3.3 Development and implementation of key performance indicators and setting of targets

- 3.3.1 Key performance indicators (KPIs) and targets for the KPIs were set and are reflected in the Corporate Strategy and Top Layer Service Delivery and Budget Implementation Plan (SDBIP) which was approved by council on 14 September 2005
- 3.3.2 It could not be established whether the community forum were consulted during the setting of the KPIs and targets of the municipality as required by section 42 of the Municipal Systems Act
- 3.3.3 All the national, general key performance indicators as required by regulation 10 of the Municipal Planning and Performance Management Regulations were not included in the IDP of Molopo Local Municipality.

- 3.3.4 The KPIs set by the municipality did not include input, output and outcome indicators for each of the development priorities and objectives identified in the IDP as required by regulation 9(1)(a) of the Municipal Planning and Performance Management Regulations
- 3.3.5 The municipality did not include KPIs for all the municipality's administrative units and employees or service providers.
- 3.3.6 All targets set for KPIs did not adhere to SMART principles (Specific, Measurable, Attainable, Realistic and Time related)

3.4 Actual service delivery process

- 3.4.1 The performance of the Municipal Manager was assessed for the first time during August 2006 for the financial periods of 2002-03, 2003-04 and 2004-05.
- 3.4.2 It could not be established whether the performance of other officials of the municipality and service providers had been evaluated as per the PMS framework. In terms of section 41(1)(c) of the Municipal Systems Act the municipality must track the performance of their staff and service providers and draft and adopt a formally documented process to assist with the continuous monitoring and comparison of actual and targeted results.

3.5 Internal monitoring

No quarterly reports or other reports as required by the PMS Framework could be provided in terms of which performance was monitored and reported on.

3.6 Internal control

No internal audit work was performed on the functionality of the municipality's PMS, the compliance of the PMS with the act and the extent to which the performance measurements are reliable in measuring the performance of the municipality against the KPIs (including national general KPIs). (Regulations 14(1)(b) and (c) refer)

3.8 Performance measurement and reporting

Although the municipality did finalise the performance report for the 2004/05 financial year during the year under review the municipality did not compile a performance report for the year under review (2005/06) at the time of this audit as prescribed by section 46(1)(a) of the Municipal Systems Act.

3.9 Review of strategies and objectives

Although the strategies and objectives of the municipality have been reviewed and revised in was not based on the PMS framework or on actual performance.

4. STATEMENT

Because the above procedures do not constitute either an audit or a review made in accordance with International Standards on Auditing or International Standards on Review Engagements, I do not express any assurance on the performance measurements as at 30 June 2006.

Had I performed additional procedures or had I performed an audit or review of the performance measurement in accordance with International Standards on Auditing or International Standards on Review Engagements other matters might have come to my attention that would have been reported to you.

This report relates only to the purpose set forth in the first paragraph of this report and does not extend to the financial statements of Molopo Local Municipality, taken as a whole.

5. APPRECIATION

The assistance rendered by the staff of Molopo Local Municipality and Bophirima District Municipality during the assignment is sincerely appreciated.



AJ Grobler for Auditor-General

Rustenburg

28 November 2006



A U D I T O R - G E N E R A L